香港交易及結算所有限公司及香港聯合交易所有限公司對本公告的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公告全部或任何部分內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。

本公告僅供參考，並不構成邀請或招攬收購、購買或認購證券的建議，或邀請為作出上述行動而訂立協議，亦不被視作邀請任何收購、購買或認購任何證券的建議。

本公告並不構成在美國或任何其他司法權區提呈出售建議或招攬購買任何證券之邀約或建議，倘未根據任何該等司法權區之證券法辦理登記或未獲批准而於上述地區進行上述建議、招攬或出售即屬違法。本公告提及之證券將不會根據證券法登記，且不得在美國發售或出售，惟獲豁免遵守一九三三年美國證券法（經修訂）登記規定或屬不受證券法登記規定規限之交易除外。於美國公開發售任何證券將須以招股章程形式作出。該招股章程將載有作出提呈發售之本公司及其管理層之詳細資料及財務報表。本公司無意於美國進行證券公開發售。概不會向香港公眾發售票據，亦不會向本公司的任何關聯人士配售票據。

*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**」）日期為二零二五年五月二十二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**」），該發售備忘錄已於二零二五年五月三十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，二零二五年五月三十日

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、田明明先生(張浩先生為其替任董事)及孫冬冬女士，以及獨立非執行董事文獻軍先生、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, Guotai Junan Securities (Hong Kong) Limited, Crédit Agricole Corporate and Investment Bank, CNCB (Hong Kong) Capital Limited, CLSA Limited, UBS AG Hong Kong Branch, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, CMB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, BOCI Asia Limited, SunRiver International Securities Group Limited, Dragonstone Capital Management Limited, Fortune Origin Securities Limited and BG Securities (HK) Co., 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.

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

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

(Incorporated in the Cayman Islands with limited liability)

US$270,000,000 6.925% Senior Notes due 2028
Issue Price: 100.0%

Our 6.925% Senior Notes due 2028 (the "**Notes**") will bear interest from May 29, 2025 at 6.925% per annum payable semi-annually in arrears on May 29 and November 29 of each year, commencing November 29, 2025. Unless previously repurchased or redeemed, the Notes will mature on November 29, 2028.

At any time prior to November 29, 2028 we 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. At any time and from time to time prior to November 29, 2028, we may at our 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 our Company in an equity offering at a redemption price of 106.925% 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. See the section entitled "Description of the Notes."

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**"), the US$330,000,000 7.05% senior notes due January 10, 2028 issued by the Company on January 10, 2025 (the "**January 2025 Notes**") and the US$300,000,000 1.50% convertible bonds due March 26, 2030 issued by the Company on March 26, 2025 (the "**March 2025 CB**") 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 117.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 12.

The Notes are expected to be rated "BB-" by S&P Global Ratings Hong Kong Limited ("**S&P**"), "BB+" by Fitch Ratings Ltd. ("**Fitch**") and "BBB-" by Lianhe Ratings Global Limited ("**Lianhe Global**"). The rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Fitch or Lianhe Global. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

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 Company has made an application for the pre-issuance registration (the "**Pre-Issuance Registration**") in relation to the Notes with the National Development and Reform Commission (the "**NDRC**") in accordance with the Administration Measures for the Examination and Registration of Medium and Long-term Foreign Debt of Enterprises (Order No. 56 of the NDRC) (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號))("**Order 56**") issued by the NDRC with effect from February 10, 2023. The Company has received the Enterprise Foreign Debt Review and Registration Certificate (企業借用外債審核登記證明) dated June 4, 2024 in respect of, among other things, the issue of the Notes from the NDRC in connection with the Pre-Issuance Registration. The Company will undertake to file or cause to be filed with the NDRC within the relevant prescribed timeframes after the issue date the requisite information and documents in respect of the Notes in accordance with Order 56.

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 187.

It is expected that the delivery of the Notes will be made on or about May 29, 2025 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

China CITIC Bank International	**Guotai Junan International**	**Crédit Agricole CIB**	**CNCB Capital**
CITIC Securities	**UBS**	**DBS Bank Ltd.**	**Deutsche Bank**
CMB International	**China International Capital Corporation**	**Haitong International**	**BOC International**
SunRiver International Securities Group Limited	**Dragonstone Capital**	**Fortune Origin Securities Limited**	**BG Securities**

Offering memorandum dated May 22, 2025.

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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, Guotai Junan Securities (Hong Kong) Limited, Crédit Agricole Corporate and Investment Bank, CNCB (Hong Kong) Capital Limited, CLSA Limited, UBS AG Hong Kong Branch, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, CMB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, BOCI Asia Limited, SunRiver International Securities Group Limited, Dragonstone Capital Management Limited, Fortune Origin Securities Limited and BG Securities (HK) Co., 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 CMIs, 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.

The Notes are expected to be rated "BB-" by S&P Global Ratings Hong Kong Limited ("**S&P**"), "BB+" by Fitch Ratings Ltd. ("**Fitch**") and "BBB-" by Lianhe Ratings Global Limited ("**Lianhe Global**"). The rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P, Fitch or Lianhe Global. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any 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 CNCBI Trustee 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 the United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the United States federal or state securities laws; or

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

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 RMB7.2993 to US$1.00 (the noon buying rate in New York City on December 31, 2024 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rates is set forth in "Exchange Rate Information" in this offering 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://hongqiaoexposed.com) with unknown origins in November 2016.
"2017 Negative Reports" .	The First 2017 Negative Report and the subsequent negative reports against our Company published by Emerson Analytics Co. Ltd. dated October 30, 2017 and November 14, 2017.
"Aluminum & Power" . . .	山東魏橋鋁電有限公司 (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 our 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 December 31, 2024, 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 65.66% 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 our Company, Winning Investment, PT. Cita and PT. Danpac with a total planned investment of not more than US$1.5 billion and in which our Group holds a 61% interest directly and indirectly.
"January 2021 CB".	The US$300,000,000 5.25% convertible bonds due 2026 issued by our Company on January 25, 2021.
"January 2025 Notes" . . .	The 7.05% Senior Notes issued by our Company on January 10, 2025 in the aggregate principal amount of US$330,000,000, which will mature on January 10, 2028.
"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.
"March 2025 CB".	The US$300,000,000 1.50% convertible bonds due 2030 issued by our Company on March 26, 2025.
"Ms. Zheng"	鄭淑良, Ms. Zheng Shuliang, the wife of the late Mr. Zhang Shiping, the mother of Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong and the mother-in-law of Mr. Yang Congsen.
"NDRC"	中華人民共和國國家發展和改革委員會 (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.
"Shandong Hongtuo" . . .	山東宏拓實業有限公司 (Shandong Hongtuo Industrial Company Limited), a limited liability company established in the PRC on November 17, 2016 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 December 31, 2024, we were the second largest aluminum manufacturer in China in terms of aggregate annual aluminum production capacity, according to Antaike. We have vertically integrated operations that encompass the entire aluminum industry value chain consisting of production facilities for alumina, molten aluminum alloy and aluminum alloy ingots, aluminum fabrication production facilities, as well as self-supporting power generation facilities.

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

Our aluminum products consist of molten aluminum alloy, aluminum alloy ingots and aluminum fabrication products. Our aluminum products are made from alumina and carbon anodes through a smelting process by means of electrolytic reduction. We also actively expand the manufacture business for lightweight materials and secondary aluminum in recent years. We completed our installation of the first aluminum recycling production line in 2021. Our other products include alumina and steam. We currently have thirteen manufacturing bases, located in Indonesia as well as in Linyi, 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 December 31, 2024 with utilization rates of approximately 101.2% for the year ended December 31, 2024.

Our sales volume of aluminum products remained stable in the past three years. We sold approximately 6.1 million tons, 6.3 million tons and 6.6 million tons of aluminum products and generated revenue of RMB109,529.3 million, RMB106,141.3 million and RMB118,004.8 million from sales of aluminum products for the three years ended December 31, 2022, 2023 and 2024, respectively. During the same respective periods, we achieved net profit of approximately RMB9,809.0 million, RMB12,497.8 million and RMB24,545.7 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 Development

Issuance of the January 2025 Notes and the March 2025 CB

On January 6, 2025, we announce the proposed issuance of the January 2025 Notes, which was issued on January 10, 2025.

On March 17 and 18, 2025, the announce the proposed issuance of the March 2025 CB and the concurrent buyback of 20,548,000 shares of our Company. The March 2025 CB was issued on March 26, 2025 and was listed on the Hong Kong Stock Exchange.

Proposal for Acquisition of Assets by Issuance of Shares

On January 6, 2025, the board of directors of Shandong Hontron Aluminum Industry Holding Co., Ltd.(山東宏創鋁業控股股份有限公司)("**Hontron Holding**") (a company listed on the Shenzhen Stock Exchange (the "**SZSE**"), stock code: 002379.SZ and indirectly held as to approximately 22.98% of its shares by our Company) resolved to approve a proposal (the "**Proposal**") for Hontron Holding to acquire all the equity interests in Shandong Hongtuo by issuing new shares to the existing shareholders of Shandong Hongtuo (the "**Sellers**"), including Aluminum & Power, as consideration for the acquisition (the "**Transaction**"), which entails the issuance of domestic RMB ordinary shares (A shares) of Hontron Holding at a nominal value of RMB1.00 per share to purchase target shares held by the Sellers.

After the Transaction, the shareholding of our Company in Hontron Holding will increase accordingly and Shandong Hongtuo will continue to be a subsidiary of our Group (through Hontron Holding). The Transaction aims to enhance our Group's level of asset securitisation and market influence, achieving asset integration that will improve management efficiency and business performance while promoting the long-term development of our Group. In addition, the Transaction will enhance the asset quality of Hontron Holding, significantly improve its financial position and profitability, and facilitate its establishment as a leading listed company in the aluminium industry, which will enhance its overall value and maximize shareholder interests.

On May 22, 2025, Hontron Holding and the Sellers entered into a supplemental agreement in relation to the Transaction (together with the Proposal and other relevant documents, the "**Transaction Documents**"). Pursuant to the Transaction Documents, Hontron Holding shall issue shares to the Sellers as consideration for the acquisition of the 100% equity interest in Shandong Hongtuo (the "**Target Shares**") by Hontron Holding from the Sellers. The Transaction does not involve the issuance of shares by our Company. The consideration for the Transaction is RMB63,517,935,380.09, which is based on the appraised value of the Target Shares as at December 31, 2024 according to the valuation report prepared by an independent appraisal institution and determined after arm's length negotiations between the Sellers and Hontron Holding. The issue price of the Transaction is RMB5.34 per share, which is no less than 80% of the average trading price of the shares of Hontron Holding over the 120 trading days prior to the pricing benchmark date.

The total number of shares to be issued by Hontron Holding to the Sellers is 11,894,744,449 shares, calculated by dividing the total consideration by the issue price, subject to approval at the general meeting of Hontron Holding, reviews by the SZSE and registration with the China Securities Regulatory Commission (the "**CSRC**"). Shandong Hongqiao, Aluminum & Power and the Sellers (other than Aluminum & Power) have made certain lock-up period undertakings in relation to the Transaction. The accumulated undistributed profits of Hontron Holding before the completion of the Transaction shall be shared by the new shareholders upon the completion of the Transaction and the existing shareholders based on their shareholding proportion.

Hontron Holding has obtained initial approval from its board of directors, and the Sellers have fulfilled the necessary authorizations. Additionally, the controlling shareholder of Hontron Holding has agreed in-principle to the Transaction. However, the consummation of the Transaction remains subject to a number of conditions precedent, including but not limited to the review and approval by the SZSE, and registration with the CSRC being approved. There is no guarantee that the necessary approvals or authorizations will be granted. As a result, the consummation of the Transaction remains uncertain. Our Company will make further announcements on the progress of the Transaction as and when appropriate.

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 "**Company**").
Notes offered	US$270,000,000 aggregate principal amount of 6.925% Senior Notes due 2028 (the "**Notes**").
Offering Price	100.0% of the principal amount of the Notes.
Maturity Date	November 29, 2028.
Interest	The Notes will bear interest from and including May 29, 2025 at the rate of 6.925% per annum, payable semi-annually in arrears.
Interest Payment Dates . . .	May 29 and November 29 each year, commencing on November 29, 2025.
Ranking of the Notes	The Notes will be: • 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, the January 2025 Notes and March 2025 CB 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 certain limitations described under the caption "Description of the Notes – The Subsidiary Guarantees" and "Risk Factors – Risks Relating to the Subsidiary Guarantees;" • 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 • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
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 (i) the Restricted Subsidiaries organized under the laws of the PRC and (ii) the Indonesian Alumina Joint Venture Company, European Alumnium R&D Center SA, Winning Consortium Alumina Pte Ltd, Hongtuo Holding (Hong Kong) Limited and their respective subsidiaries.

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 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."
Optional Redemption	At any time prior to November 29, 2028, 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 defined in the "Description of the Notes") as of, and accrued and unpaid interest, if any, to (but not including), the redemption date. At any time and from time to time prior to November 29, 2028, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds (as defined in the "Description of the Notes") of one or more sales of Common Stock (as defined in the "Description of the Notes") of the Company in an Equity Offering (as defined in the "Description of the Notes") at a redemption price of 106.925% 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 (as defined in the "Description of the Notes") remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering. See the section entitled "Description of the Notes."
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 May 29, 2025, which the Company expects will be the fourth business day following the date of this offering memorandum referred to as "T+4." You should note that initial trading of the Notes may be affected by the T+4 settlement. See "Plan of Distribution."
Trustee	CNCBI Trustee 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.
Rating	The Notes are expected to be rated "BB-" by S&P Global Ratings Hong Kong Limited ("**S&P**"), "BB+" by Fitch Ratings Ltd. ("**Fitch**") and "BBB-" by Lianhe Ratings Global Limited ("**Lianhe Global**").
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.	**ISIN**: XS3084116055; **Common Code**: 308411605
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, 2022, 2023 and 2024 from our audited consolidated financial statements for each of the fiscal years ended and as of December 31, 2023 and 2024, which have been audited 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,			
	2022	2023	2024	
	RMB	RMB	RMB	USD
	(in thousands, except percentages)			
Revenue	131,699,427	133,623,632	156,168,720	21,395,027
Cost of sales	(113,460,127)	(112,669,035)	(114,006,028)	(15,618,762)
Gross profit	18,239,300	20,954,597	42,162,692	5,776,265
Other income and gains	3,928,933	3,713,038	2,984,394	408,860
Share of gains of associates	503,335	1,193,259	1,758,457	240,908
Selling and distribution expenses	(597,679)	(755,274)	(661,024)	(90,560)
Administrative expenses	(5,933,759)	(4,952,875)	(4,992,949)	(684,031)
Other expenses	(329,047)	(945,299)	(2,898,537)	(397,098)
Financial costs	(3,019,544)	(3,267,938)	(3,363,259)	(460,765)
Changes in fair value of derivative	(184,981)	(49,044)	(2,192,462)	(300,366)
Profit before taxation	12,606,558	15,890,464	32,797,312	4,493,213
Income tax expense	(2,797,583)	(3,392,712)	(8,251,619)	(1,130,467)
Profit for the year	9,808,975	12,497,752	24,545,693	3,362,746
Profit for the year attributable to owners of the Company	8,701,953	11,460,678	22,372,331	3,064,997
Non-controlling interests	1,107,022	1,037,074	2,173,362	297,749
	9,808,975	12,497,752	24,545,693	3,362,746
Earnings per share				
Basic	0.9358	1.2095	2.3611	0.3235
Diluted	0.9358	1.1952	2.3611	0.3235
Other financial data (unaudited)				
EBITDA[(1)]	23,133,309	26,516,694	44,483,435	6,094,206
EBITDA margin[(2)]	17.6%	19.8%	28.5%	28.5%
Total debt[(3)]	60,126,903	63,431,685	72,994,297	10,000,178
Net debt[(4)]	31,022,303	29,883,984	25,426,579	3,483,427
Total debt/EBITDA	2.60	2.39	1.64	1.64
Net debt/EBITDA	1.34	1.13	0.57	0.57
EBITDA/Finance cost	7.66	8.11	13.23	13.23

Notes:

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

may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the 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,			
	2022	2023	2024	
	RMB	RMB	RMB	USD
	(in thousands)			
Profit and other comprehensive income for the year	9,808,975	12,497,752	24,545,693	3,362,746
Interest income	(558,175)	(869,818)	(1,103,314)	(151,153)
Finance costs	3,019,544	3,267,938	3,363,259	460,765
Taxation	2,797,583	3,392,712	8,251,619	1,130,467
Depreciation and amortization	6,951,059	7,186,035	6,568,010	899,814
Foreign exchange losses (gains)	889,485	223,678	222,689	30,508
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	224,838	818,397	2,635,479	361,059
EBITDA	23,133,309	26,516,694	44,483,435	6,094,206

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

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

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

Consolidated Statements of Financial Position

	As of December 31,			
	2022	2023	2024	
	RMB	RMB	RMB	USD
	(in thousands)			
NON-CURRENT ASSETS				
Property, plant and equipment	68,060,299	70,200,235	75,393,127	10,328,816
Right-of-use assets	7,672,678	9,675,440	9,668,117	1,324,527
Intangible assets	34,291	42,907	45,352	6,213
Investment properties	41,046	38,159	35,298	4,836
Deposit paid for acquisition of property, plant and equipment	644,100	1,045,165	1,349,009	184,813
Deferred tax assets	2,605,197	2,990,023	2,621,516	359,146
Interests in associates	10,296,678	11,034,432	13,222,431	1,811,466
Loan to an associate	2,000,000	2,000,000	2,000,000	273,999
Goodwill	278,224	278,224	278,224	38,117
Financial asset at fair value through other comprehensive income	1,542,588	1,401,378	1,144,810	156,838
Financial asset at amortised cost	2,499,000	2,494,000	2,494,000	341,677
Financial assets at fair value through profit or loss	–	11,725,159	11,088,589	1,519,130
Prepayment	2,500,000	–	–	–
	98,174,101	112,925,122	119,340,473	16,349,578
CURRENT ASSETS				
Inventories	37,267,620	33,958,455	37,344,003	5,116,107
Trade receivables	4,610,695	5,488,751	9,773,923	1,339,022
Bills receivables	5,573,175	4,977,642	6,602,454	904,532
Prepayments and other receivables	10,051,561	8,747,804	7,811,711	1,070,200
Other financial assets	2,122	–	–	–
Income tax recoverable	957,917	674,610	370,768	50,795
Restricted bank deposits	1,720,058	1,826,579	2,797,477	383,253
Non-current assets classified as held for sale	–	–	353,982	48,495
Cash and cash equivalents	27,384,542	31,721,122	44,770,241	6,133,498
	87,567,690	87,394,963	109,824,559	15,045,903
CURRENT LIABILITIES				
Trade and bills payables	14,911,002	11,648,276	14,930,515	2,045,472
Other payables and accruals	12,357,158	10,603,297	13,213,465	1,810,237
Bank borrowing – due within one year	30,533,850	30,489,208	34,168,202	4,681,024
Income tax payable	618,264	2,586,352	3,674,186	503,361
Lease liabilities	16,161	37,952	25,429	3,484
Short-term debentures and notes	3,000,000	7,000,000	3,000,000	410,998
Medium-term debentures and bonds – due within one year	8,507,112	8,116,930	5,781,304	792,035
Guaranteed notes – due within one year	1,392,893	3,511,821	2,154,409	295,153
Deferred income	36,684	35,290	35,039	4,800
TOTAL CURRENT LIABILITIES	71,373,124	74,029,126	76,982,549	10,546,566
NET CURRENT ASSETS	16,194,566	13,365,837	32,842,010	4,499,337
TOTAL ASSETS LESS CURRENT LIABILITIES	114,368,667	126,290,959	152,182,483	20,848,915
CAPITAL AND RESERVES				
Share capital	618,881	618,881	618,881	84,786
Reserves	83,879,972	91,625,797	107,181,060	14,683,745
Equity attributable to owners of the Company	84,498,853	92,244,678	107,799,941	14,768,531
Non-controlling interests	11,806,924	14,011,767	10,813,557	1,481,451
TOTAL EQUITY	96,305,777	106,256,445	118,613,498	16,249,983
NON-CURRENT LIABILITIES				
Other financial liability	–	2,965,195	2,730,955	374,139
Lease liabilities	51,755	916,706	932,053	127,691
Bank borrowings – due after one year	4,993,909	8,621,908	14,134,227	1,936,381
Liability component of convertible bonds	1,830,527	1,963,567	2,093,235	286,772
Derivatives component of convertible bonds	457,010	521,919	2,109,265	288,968
Deferred tax liabilities	523,795	363,704	488,057	66,864
Medium-term debentures and bonds – due after one year	5,960,847	3,206,332	9,553,655	1,308,845
Guaranteed notes	3,450,755	–	–	–
Deferred income	794,292	1,475,183	1,527,538	209,272
TOTAL NON-CURRENT LIABILITIES	18,062,890	20,034,514	33,568,985	4,598,932

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 Subsidiary 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, 2022, 2023 and 2024, the average selling price of our own aluminum products per ton was approximately RMB18,008, RMB16,773, and RMB17,872 (US$2,448), 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, 2021 and 2022 were approximately 26.6% and 13.8%. This was primarily due to the fact that, although the unit sales price of our Group's aluminum alloy products increased in 2022 compared to 2021, the increase in the purchase price of our Group's major raw materials outpaced the rise in the unit sales price. Consequently, the gross profit margin of aluminum alloy products decreased compared to the corresponding period in 2021. Our gross profit margin for the year ended December 31, 2022 increased from approximately 13.8% to approximately 15.7% for the year ended December 31, 2023. This was mainly due to the fact that, although there was a year-on-year decrease in the sales price of aluminum alloy products, the decrease in the purchase prices of our Group's main raw materials was greater. Consequently, the gross profit margin of aluminum alloy products increased compared to the corresponding period in 2022. Our gross profit margin for the year ended 31 December 2024 increased to approximately 27.0%, representing an increase of approximately 11.3 percentage points as compared to that of approximately 15.7% for the corresponding period in 2023. This was mainly due to the rise in sales price of aluminum alloy products, alumina products and aluminum fabrication products compared to the corresponding period in 2023. See the section headed "Summary – Recent Development" for more information. Our future financial performance is subject to a variety of risks and uncertainties that could materially affect our results of operations, cash flows, and financial conditions. We cannot assure you that we will achieve our anticipated financial results, and the actual results may differ materially from our projections.

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

Aluminum production requires a stable supply of electricity in large quantities. Our electricity cost was approximately RMB41,255.2 million, RMB38,371.5 million and RMB37,654.8 million (US$5,158.7 million) for the three years ended December 31, 2022, 2023 and 2024, respectively. We have been able to meet our electricity needs by generating electricity using our own thermal power stations and by purchasing from our existing external supplier. However, we may experience increased electricity costs, electricity shortages or disruptions in electricity supply in the future. For example, coal is an important material used to generate electricity. We purchase coal from a number of coal suppliers and have entered into long-term coal supply agreements with certain of such suppliers. The purchase cost of coal accounted for approximately 24.5%, 18.7% and 17.6% of our total cost of sales for the three years ended December 31, 2022, 2023 and 2024, respectively. As a result, any increase in the price of coal could increase the cost of electricity generated by our thermal power stations. We also cannot assure you that our suppliers will not terminate or fail to perform under these long-term coal supply agreements.

In addition, the price of electricity we purchase from our existing external supplier is subject to adjustment through negotiation if the price of coal fluctuates significantly. As a result, any increase in the price of coal could increase the price of electricity we purchase. Also, if our existing external suppliers of electricity choose to terminate our electricity supply agreement with them, we cannot guarantee you that we may be able to find alternative sources at the same price level or at otherwise commercially acceptable prices or terms in a timely manner. Likewise, the price of electricity may be affected by the implementation, change and enforcement of the PRC laws, regulations and government policies pertaining to electricity and energy. For example, on 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 1.49 million tons annual capacity has been transferred to the newly built production lines owned by Yunnan Hongtai New Material Co., Ltd. and put into operation as of December 31, 2024. In addition to supply-chain reform, if we fail to procure adequate raw materials or electricity for our production activities or at all, our operations will also be disrupted. In May 2018, the government of Shandong Province has published a Rectification Plan Implementing Opinions of Central Environmental Protection Supervision Team and a List of Rectification Measures (《山東省貫徹落實中央環境保護督察組督查反饋意見整改方案》及《整改措施清單》). As required, our Group has shut down certain coal-fired power units (煤電機組), and obtained environmental impact assessment documents required for other coal-fired power units to operate legally. In November 2020, the Energy Administration of Shandong Province has published an announcement that our Group has further shut down certain coal-fired power units as required.

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

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

Our operations are subject to environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites and employee health and safety. Compliance with environmental protection regulations in the PRC could be costly, and we may become subject to additional environmental compliance requirements in connection with our business operations. In May 2018, the government of Shandong Province has published a Rectification Plan Implementing Opinions of Central Environmental Protection Supervision Team and a List of Rectification Measures (《山東省貫徹落實中央環境保護督察組督查反饋意見整改方案》及《整改措施清單》), according to which, our Group is required to address the issue that "Binzhou Weiqiao Group has illegally buried hazardous wastes in excess of 150,000 tons in the mud field". Rectification measures required to be taken includes cleaning up and transshipping these hazardous wastes, disposing hazardous wastes efficiently and improving environmental management etc. Our Group has made rectifications as required, among others, paid up fines, built up a temporary storage and cleaned up and transshipped these hazardous wastes. The expert panel of the Central Environmental Protection Supervision Team has checked our rectification work and came to the conclusion that it satisfied the periodical rectification requirements raised by the Central Environmental Protection Supervision Team. In recent years, environmental issues have received increasing attention in the PRC. For example, since April, 2017, the MOEE has implemented tightened standards and additional pollution control measures on the industry in 28 cities in the Northern PRC, which include Beijing, Tianjin and the surrounding areas. As part of this process, the MOEE, the NDRC, certain other relevant national government authorities and the People's Government of Beijing, Tianjin, Hebei, Shanxi, Henan and six other provinces jointly issued a series of air pollution control measures and policies. These environmental regulations have imposed and could impose stricter compliance requirements on the industries in which we operate. Additional pollution control equipment, process changes, or other environmental control measures may be needed at some of our facilities to meet future requirements. Furthermore, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If we fail to comply with any future environmental regulations, we may be required to pay substantial fines, suspend our manufacturing or even cease operations, and our reputation, business results of operations and financial condition may be adversely affected.

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

On 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 564 million tons in 2024, 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 530 million tons in 2024. 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 35.3% of the total production costs of electrolytic aluminum in China for the year ended December 31, 2024, as compared to that of 39% for the year ended December 31, 2021, according to Antaike. Further laws, regulations or government policies may be introduced affecting our manufacturing bases to achieve the "carbon peaking" initiative and we may incur additional operation cost as a result of or to comply with the same.

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

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

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

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

In March 2018, the government of the United States imposed a tariff of 10% on aluminum products exported to the U.S., subject to certain exemptions. The China aluminum products may face other countries' anti-dumping or anti-subsidizing investigations from time to time. For example, on 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. In May 2024, the U.S. government announced the increase of tariff rate on, among others, certain aluminum products imported from China.

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

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

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

In particular, given that alumina is one of the principal components of our cost of goods sold, accounting for approximately 56.6%, 66.4% and 70.6% of our total purchase cost of raw materials for the three years ended December 31, 2022, 2023 and 2024, respectively, the price of alumina has a significant impact on our profitability. According to Antaike, the average price of alumina produced domestically in China was approximately RMB2,919 per ton and RMB4,078 per ton for 2023 and 2024, respectively, and the average import price of alumina in China was approximately US$343 per ton and US$507 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, 2022, 2023 and 2024, our five largest suppliers together accounted for approximately 40.0%, 30.0% and 29.8% respectively, of our total procurement costs, with our largest supplier accounting for approximately 14.0%, 10.7% and 13.0%, respectively.

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

In particular, alumina and electricity are two principal cost components of our cost of sales. Although we have increased our own in-house production, nonetheless, we expect to continue to purchase substantial amounts of alumina and electricity for the foreseeable future. We purchase alumina from a limited number of suppliers. In addition, in 2016 and 2017 we procured all electricity that we did not self-produce from a single external supplier, as we had done since January 2010. Beginning in January 2018, we stopped purchasing alumina and electricity from the supplier which had provided the majority of our purchased alumina and all of our externally purchased electricity for the years ended 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, the government regulators may levy fines, suspend or terminate licenses or other governmental permissions. A suspension and/or the subsequent termination of licenses or refusal to renew licenses and/or other governmental permissions or permits could materially adversely affect the ability of our suppliers to export bauxite. Export bans on bauxite in Indonesia which increase the transportation cost and the global bauxite price, may adversely affect China's aluminum product manufacturers, including our alumina suppliers and us. Any disruption to the bauxite supply to our alumina suppliers or us due to regulatory changes in places where our bauxite suppliers are located, or due to other factors, could have a material adverse impact on our business, financial condition and results of operations.

We may not be able to grow our business successfully.

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

In particular, we are continuing to strengthen our production capacity for aluminum fabrication products such as aluminum foil, aluminum alloy casting-rolling products and high precision aluminum plate and strip products. In addition, we continue to expand into relevant upstream business pursuant to our strategy of enhancing vertical integration. The first phase of the alumina production plant built and operated by our Indonesian Alumina Joint Venture Company commenced operations in the first half of 2016. The second phase of such alumina project which have been put into production by the end of 2021. As of December 31, 2024, the joint venture's alumina production plant has an annual alumina production capacity of 2.0 million tons, which was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. In 2015, we also entered into a joint venture with among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Winning Singapore International Group for the purpose of developing a bauxite mining project in Guinea. In addition, we along with several business partners entered into three public contracts with the government of Guinea in December 2018 to develop a bauxite-mining project, a 135km-long railway and an alumina plant in Guinea. We also expand our business in Guinea, including iron ore mining business. And we are in the process of transferring part of our Group's existing electrolytic aluminum production equipment to Yunnan Province. As of December

31, 2024, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of 1.49 million tons. We are in the process of further transferring the existing electrolytic aluminum production equipment to Yunnan Province, which will then operate using local hydro-power electricity generated in Yunnan Province. Furthermore, we have been working with the Germany-based Scholz Group to develop the Sino-German Hongqiao Scholz Circular Technology Industrial Park project to recycle and dismantle scrapped motor vehicles and produce secondary aluminum and selected raw materials of aluminum alloy and aluminum alloy products. In respect of domestic business, the construction of our lightweight base has been completed and put into production. Going forward, we may continue to invest or acquire other downstream or upstream businesses in the PRC or overseas.

We may not be able to sell our products (including our advanced aluminum fabrication products) at the prices that we expect, or at all, and we may not be able to manufacture these products successfully. We may not be able to fully utilize the additional electricity we plan to generate or produce alumina up to the required standard, or at all. Also, we may not be able to identify appropriate investment or acquisition targets and we may fail to obtain the necessary approvals, permits or filings or develop our projects in a timely fashion or at all. In any of these events, our business, financial condition and results of operations could be materially and adversely affected as a result. For example, the existing shareholders of Shandong Hongtuo and Hontron Holding entered into the transaction documents in relation to the proposed acquisition by Hontron Holding of all the equity interests in Shandong Hongtuo by issuing new shares to the existing shareholders of Shandong Hongtuo, including Aluminum & Power, as consideration for the acquisition (the "**Transaction**"). After the Transaction, the shareholding of our Company in Hontron Holding will increase accordingly and Shandong Hongtuo will continue to be a subsidiary of our Group (through Hontron Holding). The Transaction is subject to the fulfilment of certain conditions precedent, including but not limited to regulatory approvals. As a result, the consummation of the Transaction remains uncertain and therefore, it may not promote the long-term development of our Group as proposed.

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

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

As part of our strategies, we may continue to evaluate opportunities to acquire or invest in different regions and markets. For example, in December 2012, we established the Indonesian Alumina Joint Venture Company for alumina production, in which we hold a 61% interest, directly and indirectly. The first phase of our joint venture's alumina production plant commenced operations in the first half of 2016 while the second phase have been put into production by the end of 2021. As of December 31, 2024, the joint venture's alumina production plant has an annual alumina production capacity of 2.0 million tons, which was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. In addition, in 2015 we entered into joint venture arrangements with, among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Winning Singapore International Group for the purpose of developing a bauxite mining project in Guinea.

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

- our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements, including their obligations to make required capital contributions;
- our joint venture partners may have different economic or business objectives, and may take actions contrary to our instructions, requests or policies;
- our joint venture partners may have financial difficulties, which may affect their ability to perform their respective obligations under the joint venture agreement;
- disputes may arise as to the scope of each party's responsibilities under such arrangement;
- the results of operations of the joint venture company may not meet our expectations; and
- we may not be able to dispose of our shares in the joint venture company, if desired in the future, on terms that are favorable or acceptable to us, or at all.

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

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

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

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

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

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

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

Our five largest customers accounted for approximately 53.3%, 44.9% and 44.2% of our revenue of continuing operations for the three years ended December 31, 2022, 2023 and 2024, respectively. Our largest customer accounted for approximately 38.0%, 33.8% and 31.7% 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 65.2%, 62.7% and 60.9% of our total revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. If demand for our molten aluminum alloy does not increase in line with our business plan or if such demand decreases, we will have to look for alternative customers for our other aluminum products. However, we may be unable to find alternative customers for our other aluminum products or at commercially acceptable prices on satisfactory terms in a timely manner, or at all, which would have a material adverse effect on our business, financial condition and results of operations.

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

We are highly dependent upon third party logistics service providers to deliver our products to our customers. As we seek to closely match our inventory levels to our product demand, it is critical that our transportation systems function effectively and without delay. The transportation network is subject to disruption from a variety of causes, including operational inefficiencies, labor disputes or port strikes, acts of war or terrorism and natural disasters. In particular, as a hazardous good for transportation, the transport of our molten aluminum alloy may be delayed due to bad weather conditions, such as heavy snow. If our delivery time increases unexpectedly for these or any other reasons, our ability to deliver our aluminum products on time would be materially and adversely affected and would result in delayed or loss of revenue. In addition, if fuel prices were to increase, our transportation costs would likely further increase. A prolonged transportation disruption or a significant increase in the cost of transportation could materially and adversely affect our business, financial condition and results of operations.

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

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

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

Alumina and aluminum production facilities and thermal power stations are highly capital-intensive to construct and maintain. Our capital expenditures amounted to approximately RMB8,848.4 million, RMB6,046.3 million and RMB12,608.5 million (US$1,727.4 million) for the three years ended December 31, 2022, 2023 and 2024, respectively, which were primarily used in the expansion of our production capacity, construction of the Yunnan green aluminum innovation industrial park project, lightweight material base, the Bohai science and innovation city industrial park project and our alumina manufacturing base in Indonesia. Our future capital requirements may be substantial as we may continue to seek to grow our business in the future. In addition, we cannot assure you that we will not have net current liabilities in the future, which could limit our working capital for the purposes of operations or capital for our future plans. We may need to raise additional funds to meet our capital requirements. From time to time, our plans may change due to changing circumstances, the development of our business, unforeseen contingencies or new opportunities, and we may not be able to implement our plans within our budget. If our plans do change, we may need to obtain additional external financing to meet our capital expenditure plans, which may include commercial bank borrowings or the issuance of equity or debt securities. Increases in interest rates might occur in the future. Increases in interest rates increase our financing costs. Any further tightening of liquidity in the global financial markets may also negatively affect our access to capital and liquidity. In the case of any global economic slowdown and turmoil in the financial markets, our access to financing channel may be restricted and our business, financial condition and results of operations may be adversely affected accordingly. In addition, if we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. We cannot assure you that we will be able to raise adequate financing to fund our future capital requirements on commercially acceptable terms in time, or at all.

We face intense competition in China.

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

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

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

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

Our future success depends significantly on the continuing services of our executive Directors and senior management of our Group, in particular, Mr. Zhang Bo, our chairman and executive Director and chief executive officer. Mr. Zhang Bo is critical to the development of our business and strategic direction. If any member of our executive Directors and senior management, whose names are set out in the section headed "Directors and Senior Management" in this offering 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 65.66% 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 our Group's members are in the process of obtaining valid land use rights certificates for certain properties.

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

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

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

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

As of the date of this offering 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 and March 2025 CB may impact our profit or loss.

We issued our US$300,000,000 5.25% convertible bonds due 2026 on January 25, 2021 and US$300,000,000 1.50% convertible bonds due 2030 on March 26, 2025. The January 2021 CB and the March 2025 CB which contain both liability and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of fixed amount of cash or another financial instrument for a fixed number of our Company's own equity instruments and redemption options) are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. Multiple embedded derivatives are generally treated as a single compound derivative. Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the date of issue, both the liability and the compound derivative components of the January 2021 CB and the March 2025 CB are recognised at fair value. The fair value of the compound derivative components of the January 2021 CB and the March 2025 CB is determined by derivative valuation models that take as inputs several variables including risk-free rate, expected life and volatilities. Any changes in these inputs into the model will result in changes in the fair value of the compound derivative component, which could be substantial and have a significant impact on our profit or loss.

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

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

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

The global financial crisis which commenced in the second half of 2008 and subsequent economic crisis in Europe caused substantial volatility in the capital markets and a downturn in the global and PRC aluminum industry. In addition, in 2020, the United Kingdom officially exited the European Union and left the European Single Market and European Union Customs Union. Brexit may continue to create negative economic impact and increase volatility in global markets, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. In 2022, the military conflict between the Russian Federation and Ukraine is contributing to further increases in the prices of energy, oil and other commodities and to volatility in financial markets globally, as well as a new landscape in relation to international sanctions. From 2022 to 2023, the U.S. Federal Reserve raised its benchmark federal-funds rate by 5.25%, which materially impacted the outlook of global economy. Subsequently, in 2024, the U.S. Federal Reserve lowered its benchmark federal-funds rate by 1.0%. Moreover, there are ongoing concerns about European sovereign debt levels, political gridlock in the United States over government spending, debt levels and civil rights issues and the consequences for economic growth and investor confidence in the United States, and the uncertainty around the Federal Reserve's future monetary policies. As a result of such events, growth rates of aluminum consumption in China might slow down, and the prices of aluminum products could experience dramatic fluctuations. Furthermore, banks' lending policies and the availability of credit to non-state-owned entities, such as ourselves, are significantly influenced by global financial conditions, governmental policies and levels of investor confidence in credit markets, which in turn affect the costs or availability of funding for entities like us. If global or regional economic downturns occur or there are other prolonged disruptions to the credit markets, this could limit our ability to raise funds from our current or other funding sources or cause the funds to become more expensive, either of which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

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

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

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

From time to time, our Company may face negative publicity or unfavorable research reports relating to our business, financial performance, financial reporting or operations. For example, in the end of 2016 and beginning of 2017, we became aware of several reports that were published containing a number of negative allegations regarding our Group, including, among others, that our Company under-reported key costs, concealed related parties and related party transactions, and falsified cash position and other financial positions. For instance, the 2017 Negative Reports alleged, among other things, that (a) our power-generation cost was 40% higher than disclosed cost; (b) our disclosed power unit cost was not in line with the price trend of coal; (c) we purchased alumina from Gaoxin, an undisclosed related party, at a price lower than market price constituting a subsidy to our Group; (d) we continuously booked negative free cash flow with significant debt size increase; and (e) our capital expenditures have continued to increase. In response to these negative allegations, our Company has provided a detailed refutation of the allegations contained in the Negative Reports in a number of public announcements, including the announcements of our Company dated 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 Repots, publish all outstanding financial results and address any audit qualifications and inform the market of all material information. Following the appointment of SHINEWING (HK) CPA

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

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

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

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

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

Risks Relating to Doing Business in the PRC

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

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

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

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

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

The PRC government imposes controls on currency conversion between Renminbi and foreign currencies and, in certain cases, the remittance of currency out of and into China. We receive all of our revenue in Renminbi, which is currently not a freely convertible currency. Under our current corporate structure, income of our Company will be primarily derived from dividend payments from Shandong Hongqiao. Shortages in the availability of foreign currency may restrict the ability of Shandong Hongqiao to remit sufficient foreign currency to pay dividends to us, or otherwise satisfy its foreign currency-dominated obligations, which may in turn affect our ability to service the 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 (Hui Fa [2014] 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37號))(including its appendixes), or Circular 37, applies to our Company and relevant Controlling Shareholders of our Group. If the foreign exchange control system prevents us from converting Renminbi into foreign currencies or vice versa, and obtaining sufficient Renminbi or foreign currency to satisfy our currency demands, our ability to transfer Renminbi to fund our business operations in China or to service our 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 RMB7.19 per U.S. dollar on November 29, 2024. It is difficult to predict how the Renminbi exchange rates may change. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected. We cannot predict how and to what extent the exchange rate of the Renminbi will fluctuate in the future. To the extent that we need to convert U.S. dollars we receive from the offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on the value of the net proceeds we will receive from the offering in U.S. dollars, our business, financial condition and results of operations. Conversely, as we rely entirely on dividends paid to us by Shandong Hongqiao, any depreciation of the Renminbi may materially and adversely affect our ability to service the 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 December 31, 2024, our non-guarantor subsidiaries had indebtedness and capital commitments of RMB57,446.6 million (US$7,870.2 million) and RMB7,445.2 million (US$1,021.4 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.

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

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

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

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

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

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 December 31, 2024, was RMB72,994.3 million (US$10,000.2 million), of which RMB15,547.7 million (US$2,130.0 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 (at its sole and absolute discretion) 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 and/or steps and/or institutes proceedings 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 and/or steps and/or institutes proceedings 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$270 million. We intend to apply the net proceeds from this offering for general corporate purposes.

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

EXCHANGE RATE INFORMATION

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 to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on August 11, 2015, Renminbi depreciated significantly against the U.S. dollar. On December 11, 2015, China Foreign Exchange Trade System (the "**CFETS**"), a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The Renminbi continued to experience further fluctuation in value against the U.S. dollar in 2019. On August 5, 2019, the PBOC set the Renminbi daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. From the beginning of the fourth quarter of 2019 towards the beginning of 2020, Renminbi started to appreciate against the U.S. dollar as Sino-US trade war tension started to ease with Phase One Deal signed in January 2020, as well as the Federal Reserve's dovish policy with three rate cuts during second half of 2019. In February 2020, however, Renminbi began to depreciate due to the impact of COVID-19 on the PRC, falling below the level of 7.0 Renminbi per U.S. dollar again. From March 2020, COVID-19 spread rapidly to the whole world, strengthening the safe-haven currencies like the U.S. dollar as market took on a more risk-averse tone, leading to Renminbi's depreciation against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

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

Period	Noon Buying Rate			
	End	Average(1)	High	Low
	(RMB per US$1.00)			
2019	6.9618	6.9081	7.1786	6.9822
2020	6.5250	6.9042	7.1681	6.5208
2021	6.3726	6.4508	6.5716	6.3435
2022	6.8972	6.7290	7.3048	6.3048
2023	7.0999	7.0809	7.3430	6.7010
2024	7.2993	7.1957	7.2993	7.0106
2025				
January	7.2422	7.2957	7.3326	7.2422
February	7.2828	7.2734	7.3088	7.2422
March	7.2567	7.2493	7.2843	7.2273
April	7.2706	7.2968	7.3499	7.2675
May (through May 16)	7.2090	7.2296	7.2706	7.2018

(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 December 31, 2024, 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 December 31, 2024			
	Actual		As Adjusted for the Notes	
	RMB	US$	RMB	US$
	(in thousands)			
Total bank borrowings – due within one year	34,168,202	4,681,024	34,168,202	4,681,024
Total bank borrowings – due after one year	14,134,227	1,936,381	14,134,227	1,936,381
Short-term debentures and notes	3,000,000	410,998	3,000,000	410,998
Medium-term debentures and bonds – due within one year	5,781,304	792,035	5,781,304	792,035
Medium-term debentures and bonds – due after one year	9,553,655	1,308,845	9,553,655	1,308,845
Notes to be issued	–	–	1,970,811	270,000
Guaranteed notes	2,154,409	295,153	2,154,409	295,153
Convertible bonds – liability component	2,093,235	286,772	2,093,235	286,772
Convertible bonds – derivative component	2,109,265	288,968	2,109,265	288,968
Total debt[(1)]	72,994,297	10,000,176	74,965,108	10,270,176
Equity				
Capital and reserves				
Share capital	618,881	84,786	618,881	84,786
Reserves	107,181,060	14,683,745	107,181,060	14,683,745
Equity attributable to owners of the Company	107,799,941	14,768,531	107,799,941	14,768,531
Non-controlling interests	10,813,557	1,481,451	10,813,557	1,481,451
Total equity	118,613,498	16,249,983	118,613,498	16,249,983
Total capitalization[(2)]	191,607,795	26,250,159	193,578,606	26,520,159

(1) We issued the January 2025 Notes in the aggregate principal amount of US$330 million in January 2025 and the March 2025 CB in the principal amount of US$300 million in March 2025, which are not reflected in the table above.

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

As of December 31, 2024, our total cash and cash equivalents (excluding restricted cash) amounted to RMB44,770.2 million (US$6,133.5 million). Our cash and cash equivalents were mainly held in RMB and U.S. dollars, with approximately 87.7% held in RMB and approximately 11.9% held in U.S. dollars.

As of December 31, 2024,

- we had approximately RMB72,994.3 million (US$10,000.2 million) of consolidated indebtedness outstanding, of which approximately RMB15,547.7 million (US$2,130.0 million) was secured;

- we had offshore outstanding secured indebtedness in principal amounts totaling approximately US$218.7 million. See "Description of Other Material Indebtedness – Offshore Financing;" and

- our PRC subsidiaries had indebtedness of approximately RMB61,805.1 million (US$8,467.3 million). In addition, these PRC subsidiaries had capital commitments of approximately RMB6,863.0 million (US$940.2 million).

Since December 31, 2024, we have continued to enter into short-term and long-term borrowings during our ordinary course of business to finance our operations. See "Description of Other Material Indebtedness", including without limitation, the January 2025 Notes in the aggregate principal amount of US$330 million and the March 2025 CB in the principal amount of US$300 million.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our indebtedness or capitalization since December 31, 2024.

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 2024 was approximately 72.6 million tons according to Antaike, representing an increase of approximately 3.5% from the previous year. Primary aluminum is made from alumina (which is typically made from bauxite). Primary aluminum is processed into various fabricated products, such as rolled sheet, coil and plate, extruded bars and sections, wire-rod, castings and forgings.

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

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

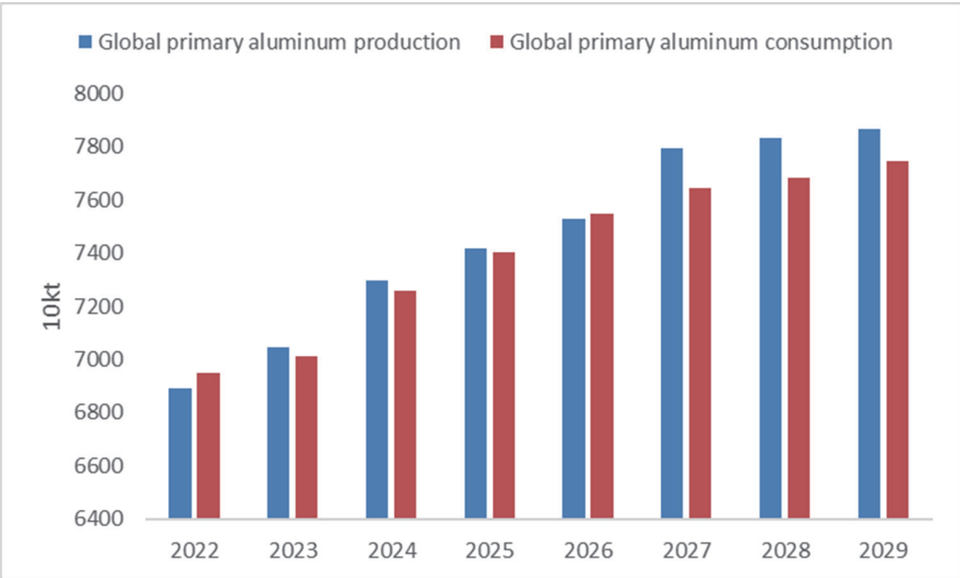
With broad end-use markets, aluminum consumption has been particularly linked to GDP growth.

From 2012 to 2024, worldwide consumption of primary aluminum grew at a CAGR of 3.6%, 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 3.5% in 2024 compared to 2023.

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 2024, China's primary aluminum consumption has accounted for 62.2% of the global consumption.

According to Antaike, overseas consumption of primary aluminum in 2024 was 27.4 million tons, increased by 0.4% over the previous year, representing 37.8% of the world's total primary aluminum consumption.

Antaike forecasts that primary aluminum consumption between 2025 and 2029 will grow at a CAGR of 1.1% globally (as the following chart shows).



Source: Antaike

PRC ALUMINUM INDUSTRY

Geographical Distribution of Aluminum Production in China

The map below shows the geographical distribution of aluminum production in China for 2024 (as percentages of total production and downstream fabricated products produced in China):

NORTH

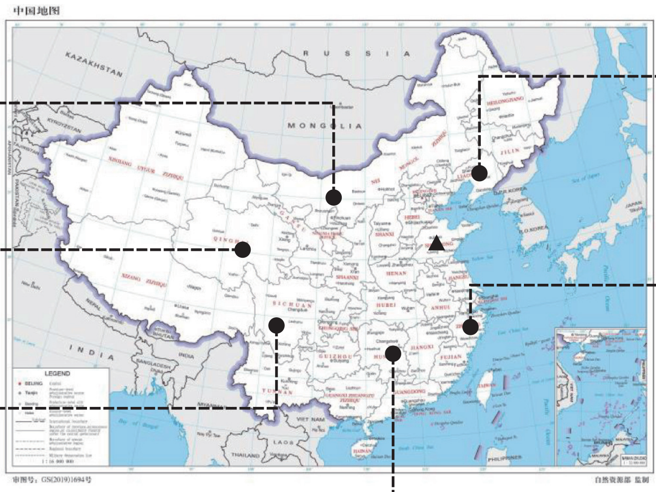
- Production
  - Alumina: 25.7%
  - Primary aluminum: 18.0%
  - Fabricated products: 7.1%
- Key aluminum provinces: Shanxi, Inner Mongolia

NORTH-WEST

- Production
  - Alumina: NA
  - Primary aluminum: 32.8%
  - Fabricated products: 7.1%
- Key aluminum provinces: Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang

SOUTH-WEST

- Production
  - Alumina: 10.2%
  - Primary aluminum: 19.6%
  - Fabricated products: 8.3%
- Key aluminum provinces: Sichuan, Chongqing, Yunnan, Guizhou



▲ Hongqiao Group

NORTH-EAST

- Production
  - Alumina: NA
  - Primary aluminum: 1.0%
  - Fabricated products: 1.8%
- Key aluminum province: Liaoning

EAST (including Shandong)

- Production
  - Alumina: 36.1%
  - Primary aluminum: 17.1%
  - Fabricated products: 40.4%
- Key aluminum provinces: Shandong, Fujian

MID-SOUTH

- Production
  - Alumina: 28.0%
  - Primary aluminum: 11.4%
  - Fabricated products: 35.3%
- Key aluminum provinces: Henan, Guangxi, Hubei

Source: Antaike

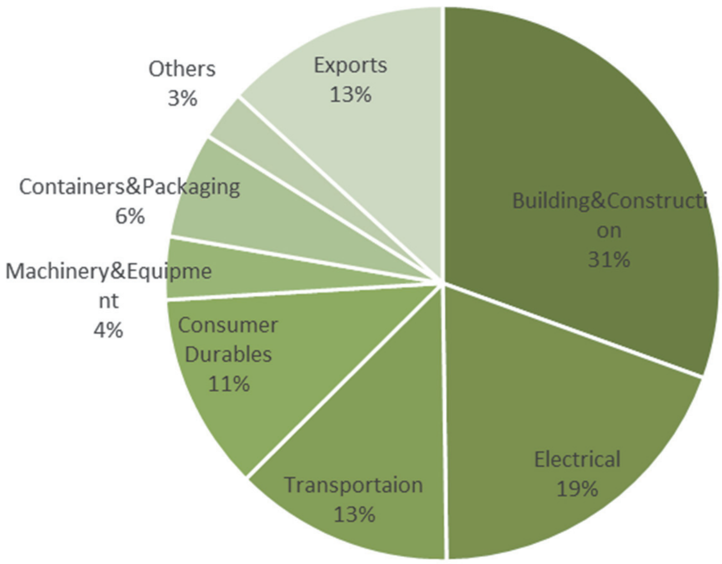
Notes: Definition of the regions is provided by Antaike as follow:
East region – Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian and Shanghai
North-east region – Heilongjiang, Jilin and Liaoning
Mid-south region – Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan
South-west region – Sichuan, Yunnan,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

As of December 31, 2024, 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 18.0% of the country's primary aluminum production for 2024. 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 19.6% of the country's primary aluminum production for 2024.

Strong domestic demand

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

China has been a key driver of the global aluminum industry over the past decade, and has surpassed the United States as the largest aluminum consumer globally since 2005. In the year of 2024, China consumed approximately 45.2 million tons of primary aluminum, representing 62.2% of world total consumption. This ratio is expected to decrease to 56.7% by 2027, according to Antaike. The chart below shows the breakdown of domestic aluminum consumption by end-use in China in the year of 2024.



Source: Antaike

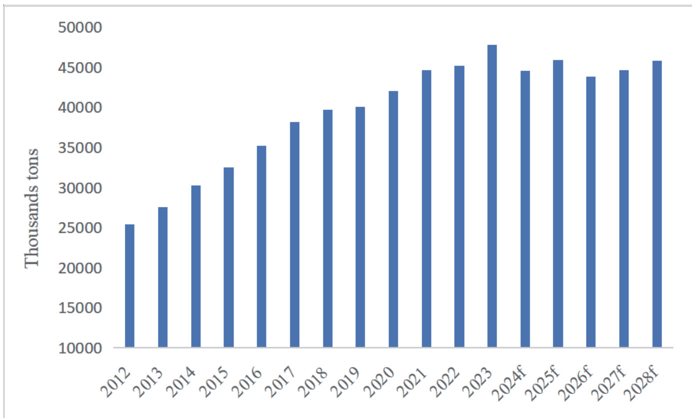
The table below sets forth an overview of the aluminum consumption in China and the United States, Japan, Germany and Canada in the year of 2024.

Aluminum consumption data in 2024

Country	**Total Aluminum Consumption**	**Per Capita Aluminum Consumption**	**Per Capita GDP**
	(ten thousand tons)	**(kg)**	**(US$)**
United States	583	17.1	85,900
Japan	172	13.9	32,420
Germany	177	21.2	55,000
Canada	28	6.9	53,400
China	4,518	32.1	13,078

Source: World Economics and Antaike

Primary aluminum can be processed into various downstream fabricated products including flat-rolled products (plates, sheets, strips and foils), extrusion products (tubes, bars and profiles), wire-rod, castings and forgings. As the chart below shows, according to Antaike, total production of fabricated aluminum products in China increased rapidly at a CAGR of 5.3% from 2013 to 2024, and is expected to remain stable.



Source: Antaike

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

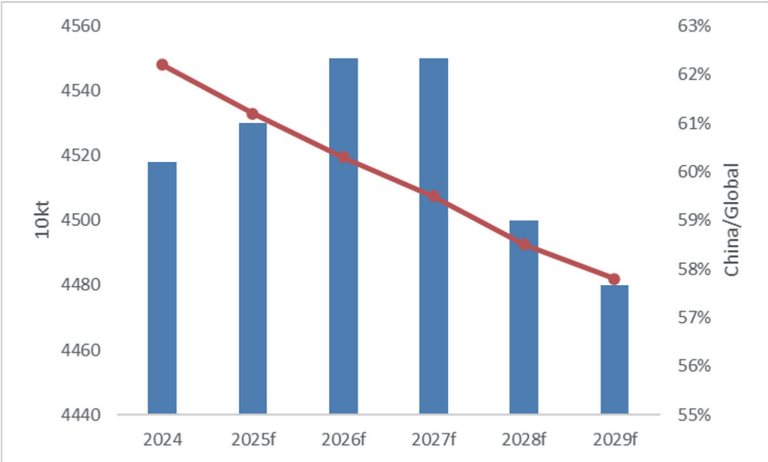
Construction

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 RMB52,091.6 billion in 2024, representing a CAGR of 8.3%. 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 965 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 10.8% from 2009 to 2024, 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 250 per thousand people as of the end of 2024 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 200 kg by 2024. Taken together with the growing vehicle production, it is expected to further drive growth in aluminum demand in China.

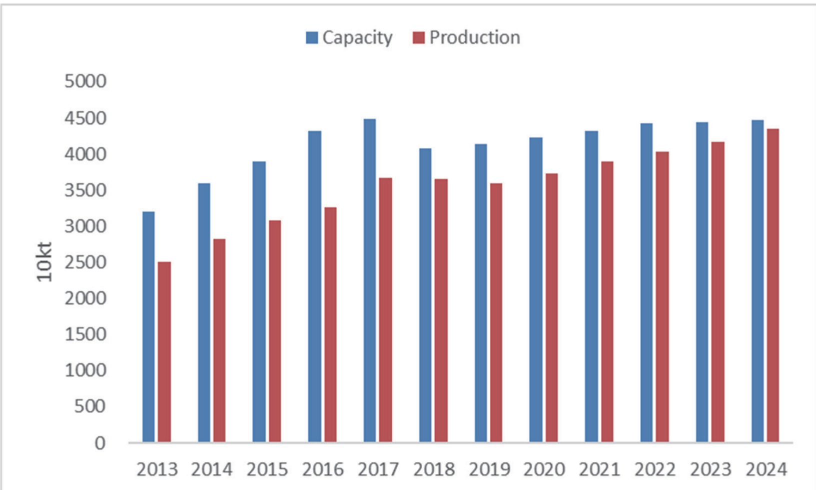
Antaike estimates that China's primary aluminum consumption will be approximately 44.8 million tons in 2029, as shown in the chart below.



Source: Antaike

Growing domestic production

In 2001, China became the largest aluminum manufacturer in the world, surpassing the United States and Russia. Domestic production increased at a CAGR of 5.7% from 25.1 million tons in 2013 to 43.5 million tons in 2024, 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 59.6% during the same period, according to Antaike. The rapid growth of aluminum production is mainly driven by domestic consumption, government support and the application of advanced technology. The chart below shows the primary aluminum output and the production capacity in China from 2010 to 2024.



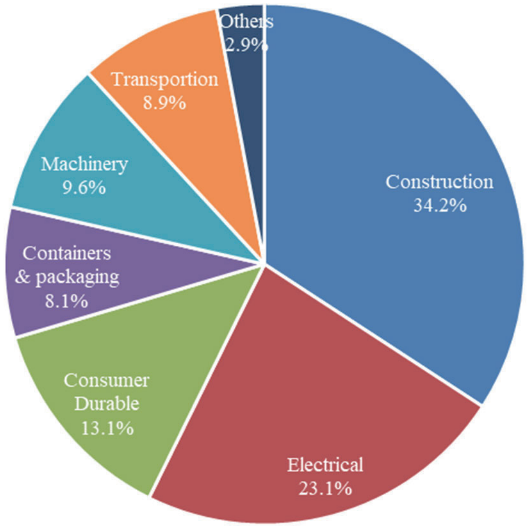
Source: Antaike

There has also been a sector trend of increasing scale in terms of production capacity and smelter power consumption in the PRC aluminum industry. Average annual production capacity per aluminum manufacturer in China increased significantly from approximately 267,800 tons in 2012 to approximately 450,000 tons in 2024. Meanwhile, capacity associated with over 300 kA smelters accounted for approximately 88.5% of total domestic aluminum capacity as of December 31, 2024.

Overview of domestic downstream fabrication sector

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

In 2024, China consumed approximately 43.1 million tons of aluminum fabrication products, according to Antaike. The chart below shows the breakdown of domestic aluminum fabrication products consumption by end-use in 2024. The main users of aluminum fabrication products are from construction, electrical, durables and machinery.



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

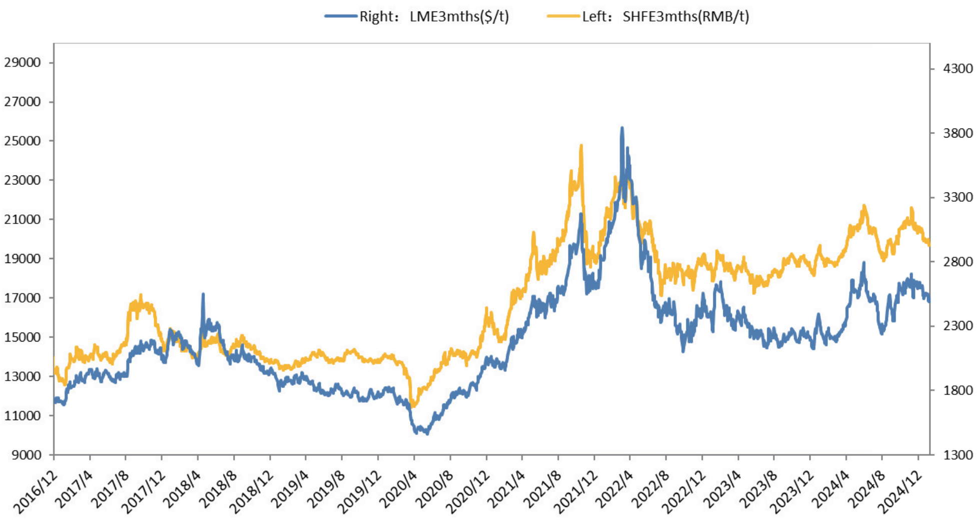
Source: Antaike

Although transport and packaging only account for a small share (accounting for 8.9% and 8.1% of current aluminum fabrication products consumption in China, respectively) in 2024, we believe they represent two of the key drivers of future demand growth for aluminum fabrication products, given the significant growth potentials in tin cans, food packaging, automotives and urban subway in China. Antaike estimates that China's aluminum fabrication products consumption will grow steadily at a CAGR of 1.7% from 2025 to 2029.

Aluminum Price

Historical price overview

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

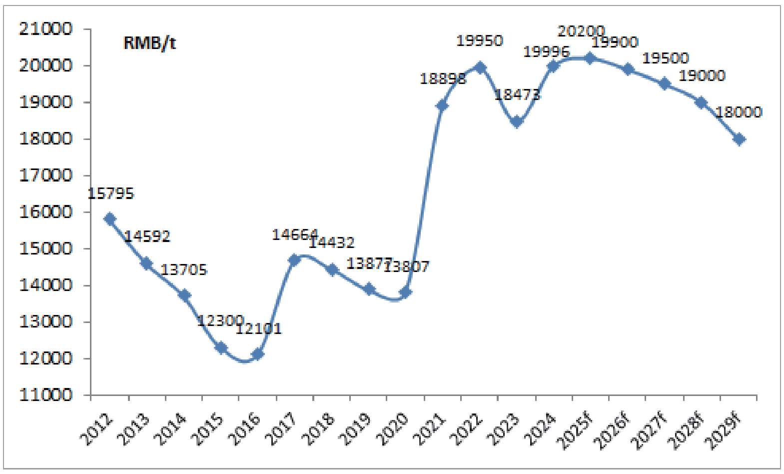


Source: Wind Info.

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

Price outlook

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



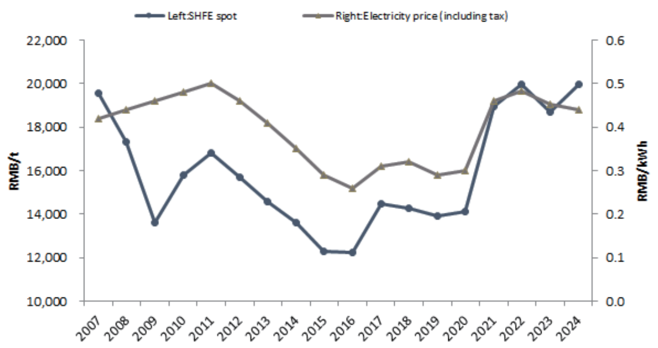
Source: Antaike

Cost Overview

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

Electricity cost

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

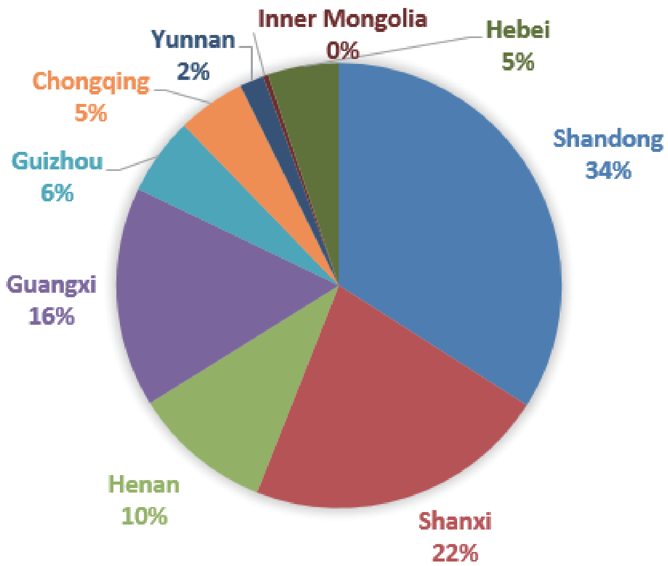


Source: Antaike

With the rapid growth of aluminum smelting capacity in China, electricity supply to this sector has been tight. The electricity cost accounted for 39% of the total production costs of aluminum in China in 2021, as compared to that of 44% in 2010. Therefore, according to Antaike, the aluminum manufacturers with capacity to generate electricity in-house can enjoy secure stable supply and lower cost of electricity compared to those purchasing electricity externally. In 2024, a total of 38 aluminum manufacturers in China operated captive power plants. The aluminum production capacity of these manufacturers represents approximately 57% of total aluminum production capacity in China. The price of electricity is affected by the price of coal. According to Antaike, the average price of mix-quality coal quoted by Qinhuangdao Shanxi quality index was RMB969 per ton and RMB855 per ton for 2023 and 2024, respectively.

Alumina cost

Alumina is another major cost to aluminum production. According to Antaike, China had annual alumina production capacity of 104.5 million tons of 31 December 2024. The actual domestic alumina production was 85.8 million tons in 2024. The major suppliers are located in Shandong, Shanxi, Henan and Guangxi Provinces, which represent 34.0%, 22.0%, 10.1% and 16.0% of China's alumina production capacity in 2024, respectively. The geographical distribution of China's alumina production capacity in 2024 is shown in the chart below.



Source: Antaike

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

Competitive Landscape

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

Top ten aluminum manufacturers in China

Rank	Company	Designed annual production capacity as of December 31, 2024	Nature of Ownership
		(thousand tons per annum)	
1	Group 1	7,810	State-owned enterprise
2	**China Hongqiao Group Limited (our Group)**	6,459	Private
3	Group 2	4,300	State-owned enterprise
4	Group 3	3,800	Private
5	Group 4	2,160	Private
6	Group 5	1,760	Private
7	Group 6	1,700	State-owned enterprise
8	Group 7	1,700	State-owned enterprise
9	Group 8	1,300	State-owned enterprise
10	Group 9	1,200	Private
Total (% of China)		**32,190 (72.1%)**	

Source: Antaike

As of December 31, 2024, these ten manufacturers had aggregate designed annual production capacity of approximately 32.19 million tons and accounted for an aggregate of approximately 72.1% of China's domestic capacity. The table below shows the breakdown of aluminum manufacturers by production capacity as of December 31, 2024.

Breakdown of aluminum manufacturers by designed capacity (as of December 31, 2024)

Designed Annual Production Capacity	Number of Companies	% of Total Capacity in China
(thousand tons per annum)		
200 or above	79.0	95.4
300 or above	61.0	85.9
400 or above	76.3	76.3
500 or above	36.0	64.0

Source: Antaike

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

The PRC governmental authorities have promulgated a series of policies on the aluminum industry recently, including the Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Some Industries through Financial Services (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》) promulgated on 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 205 aluminum sheets and cords manufacturers and 115 aluminum foils manufacturers in China as of December 31, 2024, with total production capacities of approximately 19.3 million and 6.6 million tons per annum, respectively. The two tables below list out the top five aluminum sheets and strip manufacturers and top five aluminum foils manufacturers in China.

Top five aluminum sheet and strip manufacturers in China

Company	**Designed capacity as of December 31, 2024**	**Nature**
	(thousand tons per annum)	
Group 1	1,450	State-owned
Group 2	1,250	Private
Group 3	950	Private
Group 4	500	Private
Group 5	450	Private
Total (% of China)	**19,340 (23.8%)**	

Source: Antaike

Top five aluminum foil manufacturers in China

Company	Designed capacity as of December 31, 2023	Nature
	(thousand tons per annum)	
Group 1	850	Private
Group 2	240	Private
Group 3	230	Private
Group 4	165	State-owned
Group 5	140	Private
Total (% of China)	**6,650 (24.4%)**	

Source: Antaike

For aluminum extrusion products, as of December 31, 2024, there were approximately 1,050 manufacturers in China with a total production capacity of approximately 35.0 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, 2024	Nature
	(thousand tons per annum)	
Group 1	1,200	Private
Group 2	950	Mixed
Group 3	650	Private
Group 4	600	Private
Group 5	550	Private
Group 6	500	Private
Total (% of China)	**35,000 (12.7%)**	

Source: Antaike

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

Overview of Shandong Aluminum Industry and Molten Aluminum Alloy

Shandong Aluminum industry

Shandong Province, located on China's eastern coast, is one of the most important regions of the Chinese aluminum industry. As of December 31, 2024, it had a designed primary aluminum production capacity of approximately 7.04 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 31.8 million tons for 2024, accounting for 30% of domestic alumina capacity.

Shandong Province is also one of the China's largest manufacturing bases of downstream aluminum fabricated products, and manufactured approximately 14.7 million tons, or 21.7% of China's total production for 2024.

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

Company	**Designed annual production capacity as of December 31, 2024**
	(thousand tons)
China Hongqiao Group Limited (our Group)	4,980
Shandong Group 1[(1)]	1,580
Shandong Group 2	480
Total (as a % of total Shandong Province)	**7,040 (100%)**

Source: Antaike

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

Our primary production facilities are strategically located in Zouping City, one of the main aluminum manufacturing bases in Shandong Province. We are the only aluminum manufacturer in Zouping City. We represented approximately 70.7% and 100% of total designed annual production capacity in Shandong Province and Zouping City, respectively, as of December 31, 2024 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

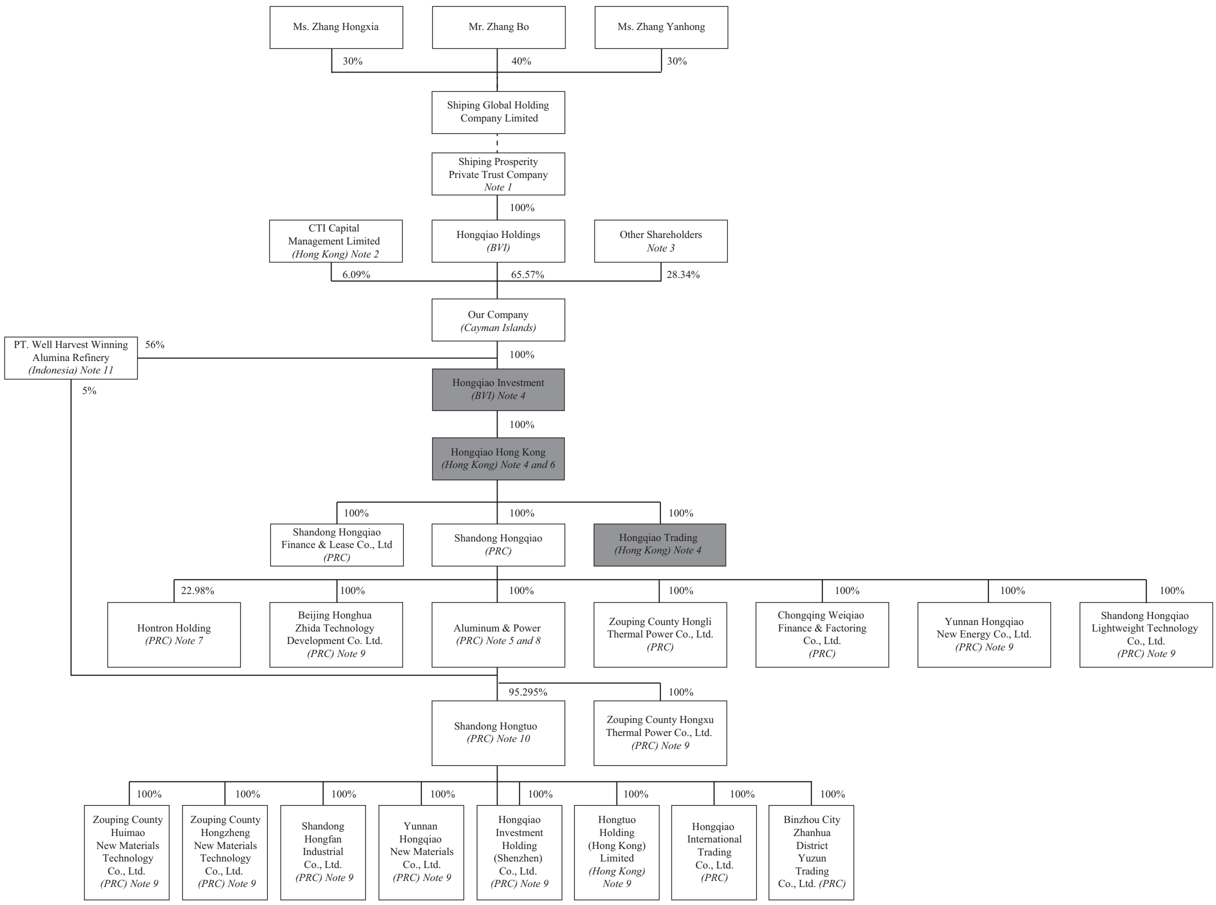
Molten aluminum alloy saves molding costs, associated energy, labor, and other relevant costs for producers. Customers also benefit from saving the energy cost of melting aluminum alloy ingots for further processing. Antaike estimates the overall cost benefits for customers to be approximately RMB500 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 6.62 million tons in 2025 to 6.73 million tons in 2029, and annual demand for primary aluminum in the Zouping region to grow from 4.38 million tons in 2025 to 4.5 million tons in 2029. 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 4.03 million tons in 2025 to 4.22 million tons in 2029. Furthermore, Antaike expects that 94% of the demand for aluminum in 2029 in the Zouping region will be met by molten aluminum. According to Antaike, our Group's molten aluminum production capacity accounted for 100% of the total molten aluminum production capacity in Zouping as of December 31, 2024.

CORPORATE STRUCTURE

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



Notes:

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

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

(3) Mr. Zhang Bo holds approximately 0.10% of the issued share capital of our Company and the other Shareholders hold approximately 28.24% of the issued share capital of our Company.

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

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

(6) Hongqiao Hong Kong owns the following subsidiaries or associates, directly or indirectly: (a) Shandong Renzhi Automobile Lightweight Technology Co., Ltd. *(PRC)*; (b) Shandong Qingjin Materials Technology Co., Ltd. *(PRC)*; (c) Shenzhen Hongpeng Digital Supply Chain Management Co., Ltd. Co., Ltd. *(PRC)* (owned as to 70%); (d) Zouping Hongzhou New Material Technology Co., Ltd. *(PRC)* (owned as to 60%); (e) Shandong Hongji Electric Drive Technology Co., Ltd. *(PRC)*; (f) Shandong Hongyan Automobile Co., Ltd. *(PRC)*; (g) Shandong Hongwen Automotive Chassis System Co., Ltd. *(PRC)*; (h) Shandong Hongtu Power Energy Co., Ltd. *(PRC)*; (i) Hongqiao Commercial Factoring (Shenzhen) Co., Ltd. *(PRC)*; (j) Winning Consortium Alumina Pte Ltd *(Singapore)* (owned as to 70%); (k) Winning Consortium Railway Pte Ltd *(Singapore)* (owned as to 29%); (l) GTS Global Trading PTE Ltd *(Singapore)* (owned as to 25%); (m) Africa Bauxite

Mining Company Limited *(BVI) (*owned as to 25%); (n) Winning Alliance Port SA *(Guinea)* (owned as to 22.5%); (o) Winning Consortium Alumina Company Ltd *(BVI)* (owned as to 70%); and (p) Winning Consortium Alumina Guinea SA *(Guinea)* (owned as to 70%).

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

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

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

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

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

BUSINESS

OVERVIEW

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of December 31, 2024, we were the second largest aluminum manufacturer in China in terms of aggregate annual aluminum production capacity, according to Antaike. We have vertically integrated operations that encompass the entire aluminum industry value chain consisting of production facilities for alumina, molten aluminum alloy and aluminum alloy ingots, aluminum fabrication production facilities, as well as self-supporting power generation facilities.

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

We currently have thirteen manufacturing bases, located in Indonesia as well as in Linyi, 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 December 31, 2024 with utilization rates of approximately 101.2% for the year ended December 31, 2024.

Our Products

Our aluminum products mainly consist of molten aluminum alloy, aluminum alloy ingots, and aluminum fabrication products. Our aluminum products are made from alumina and carbon anodes through a smelting process by means of electrolytic reduction. We also actively expand the manufacture business for lightweight materials and secondary aluminum in recent years. We completed our installation of the first aluminum recycling production line in 2021. Our other products include alumina and steam. We sold approximately 6.1 million tons, 6.3 million tons and 6.6 million tons of aluminum products and generated revenue of approximately RMB109,529.3 million, RMB106,141.3 million and RMB118,004.8 million (US$16,166.6 million) from sales of aluminum products for the three years ended December 31, 2022, 2023 and 2024, respectively. Molten aluminum alloy is our major product, the sales of which accounted for approximately 65.2%, 62.7% and 60.9% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. Compared with the production of aluminum alloy ingots, the production of molten aluminum alloy allows us to avoid incurring significant molding and other relevant costs. We are able to provide our customers with molten aluminum alloy due to our close proximity to them, which, we believe, provides us with significant cost and operational advantages and results in other synergies. All of our aluminum alloy ingots are produced with self-manufactured molten aluminum alloy.

Our Main Cost Items

Our two main cost items in the production of aluminum are alumina and electricity. Each of these items accounted for more than 30% of our total cost of sales for the three years ended December 31, 2022, 2023 and 2024, respectively.

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

Our in-house alumina plants commenced production in 2012. For the three years ended December 31, 2022, 2023 and 2024, the self-produced alumina used by our Group accounted for 74.4%, 77.9% and 74.6%, respectively, of the alumina we used in our production of our aluminum products. As of December 31, 2024, we had an aggregate annual production capacity of 21.0 million tons of alumina. We produced alumina at a cost below the purchase price of alumina that we purchase externally.

For the three years ended December 31, 2022, 2023 and 2024, we produced 56.5%, 54.2%, and 49.7%, respectively, of the electricity we used in our production of aluminum products at our thermal power stations. As of December 31, 2024, our power station had an aggregate installed capacity of 8,880 MW. We produced this portion of electricity at a cost below the purchase price of electricity that we purchase externally. The remainder of our required electricity was purchased from a supplier pursuant to a direct power supply agreement and delivered via our in-house power grid. Due to our off-grid structure, bulk purchases and long-term cooperation, we have been able to purchase our electricity from our supplier at a price below average on-grid electricity price.

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

	For the year ended December 31,					
Alumina	**2022**		**2023**		**2024**	
Total Alumina consumed (million tons)	11.92	100.0%	13.06	100.0%	13.46	100%
Self-produced (million tons)	8.87	74.4%	10.17	77.9%	10.04	74.6%
External purchase (million tons)	3.05	25.6%	2.89	22.1%	3.42	25.4%

	For the year ended December 31,		
Electricity	**2022**	**2023**	**2024**
Total electricity consumed (million KWh)	88,182	91,322	94,586
Self-produced (million KWh)	49,842	49,508	47,000
External purchase (million KWh)	38,340	41,814	47,586
Self-sufficiency rate	56.5%	54.2%	49.7%

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 December 31, 2024, all of our molten aluminum alloy customers were located within 30 kilometers from us.

Our five largest customers, all of which were independent third parties of our Group, accounted for approximately 53.3%, 44.9% and 44.2% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. Our history of relationship with our top customers range from ten to seventeen years.

Our largest customer accounted for approximately 38.0%, 33.8% and 31.7% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively.

Our Competitive Strengths

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

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of December 31, 2024, we were the second largest aluminum manufacturer in China in terms of aggregate annual aluminum production capacity, according to Antaike. We believe our size and proven ability to deliver significant volumes across key customers have helped us to achieve significant economies of scale. By leveraging our scale and established market position, we are able to maintain solid development and sustainable and resilient profitability. Our overall gross profit margin for the three years ended December 31, 2022, 2023 and 2024 were approximately 13.8%, 15.7% and 27.0%, 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 45.2 million tons of primary aluminum, amounting to 62.2% of world total consumption in 2024. According to Antaike, China's aluminum consumption grew at a CAGR of 5.5% from 2014 to 2024. 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 December 31, 2024, we had an annual production capacity of aluminum of approximately 6.46 million tons. Self-produced alumina satisfied approximately 74.6% of our total alumina demand for the year ended December 31, 2024 and this self-sufficiency rate is expected to maintain at the current level. In addition, our captive power plants had an aggregate installed capacity of 8,880 MW as of December 31, 2024. Self-produced electricity satisfied approximately 49.7% of our total electricity needs for the year ended December 31, 2024. In addition, we have been actively expanding the manufacture and sale of aluminum fabrication products. The sales of aluminum fabrication products grew from RMB11,500.4 million in 2023, accounting for approximately 8.6% of our total revenue in 2023, to RMB15,571.0 million in 2024, accounting for approximately 10.0% of our total revenue in 2024. We believe offering high value-added aluminum fabrication products will help us to diversify our product mix as well as to capture additional profit margin, because high value-added aluminum fabrication products generally command a higher margin compared to primary aluminum products. We acquired 28.18% equity interest in Hontron Holding in April 2017 to further expand into advanced aluminum fabrication. As of December 31, 2024, our aluminum processing line had a total capacity of 1.17 million tons.

Leveraging our vertically integrated business model, we have enjoyed a competitive cost structure. We believe our cost advantage is mainly a result of (i) our large-scale, cost-efficient production facilities, including our captive power stations which provide a stable and low cost off-grid direct power supply and also reduce our exposure to risks of policy changes, (ii) our self-produced alumina and our ability to obtain alumina supply at competitive and advantageous rates, and (iii) our cost savings by focusing on selling molten aluminum alloy. Equipped with these advantages, our unit cost of sales of primary aluminum products for 2024 was approximately RMB13,232 per ton while the industry average was approximately RMB17,717 per ton, according to Antaike. We believe this helps to differentiate ourselves from other competitors in the aluminum industry in China, specifically in the following aspects:

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

As of December 31, 2024, the total production capacity of our thermal power stations across our Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Yangxin and Huimin manufacturing bases was 8,720 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 56.5%, 54.2% and 49.7% of the total electricity we used for the three years ended December 31, 2022, 2023 and 2024, respectively. In 2019, we gave priority to the electricity produced by our captive power plants after shutting off certain production capacity in the second half of 2017 in response to the supply side reform of the aluminum industry. As of December 31, 2024, our thermal power stations achieved a high capacity utilization rate with annualized average utilization hours of approximately 4,104 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*

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

• *Alumina produced in our in-house facility*

In 2012, we constructed facilities to make use of coal fly ash, which included an in-house alumina production facility with an initial aggregate annual production capacity of 3.0 million tons of alumina, at Zouping Binzhou Beihai Development Zone. Since then, we have continued to increase our in-house production capacity of alumina. As of December 31, 2024, we had production capacity of 19.0 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 December 31, 2024, we had a production capacity of 2.00 million tons of alumina in Indonesia. The self-produced alumina used by our Group accounted for approximately 74.4%, 77.9% and 74.6% of the total alumina that we used for the three years ended December 31, 2022, 2023 and 2024, respectively. We expect to maintain this self-sufficiency rate at the current level. In addition, Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and have maintained long-term cooperative relationships with certain suppliers due to our large scale of production. We, along with our joint venture partners, have also successfully created a complete bauxite supply chain in Guinea, linking Africa and China and helping to ensure more stable supply. See "Business – Procurement – Raw Materials – Supply of alumina and bauxite".

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

Sales of molten aluminum alloy accounted for approximately 65.2%, 62.7% and 60.9% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. Molten aluminum alloy is our main product in terms of sales volume and revenue. By focusing on molten aluminum alloy as compared to aluminum alloy ingots, we avoid incurring significant molding costs and associated electricity, labor, storage and other relevant costs. Furthermore, all of our molten aluminum alloy customers are in close proximity to our manufacturing bases. We deliver our molten aluminum alloy directly from our smelters to our customers' manufacturing sites immediately after it is ordered and manufactured, allowing us to maintain close to zero inventory of molten aluminum alloy and enjoy low transportation costs. By purchasing molten aluminum alloy, our customers minimize transportation costs and save the cost of smelting or reheating aluminum alloy ingots for further processing, including the related equipment, labor and storage costs. According to Antaike, customers that buy molten aluminum enjoy cost savings of around RMB500 per ton. As such, both our customers and we benefit from higher margins. Where customers are further away we will sell them aluminum alloy ingots. Sales of aluminum alloy ingots accounted for approximately 7.9%, 8.2% and 4.7% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively.

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

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

Our manufacturing bases are connected to the major manufacturing bases of downstream aluminum product companies. For example, we are strategically headquartered in Zouping City, Shandong Province, one of the major aluminum product manufacturing centers in China. Antaike expects annual demand for primary aluminum in the Zouping region to grow from 4.45 million tons in 2026 to 4.8 million tons in 2030, and annual consumption for molten aluminum alloy to grow from 4.12 million tons in 2026 to 4.22 million tons in 2030. Furthermore, Antaike expects that 94% 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 17.1% of the country's primary aluminum production for 2024, 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四端進電大型預焙槽). 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 December 31, 2024, all of our production lines for aluminum products had current intensity of over 400kA. For our alumina production, we adopt Bayer's low-temperature and low-pressure method for alumina production to ensure more stable operation of production lines and reduce energy consumption. We also employ advanced technologies and large-scale energy-saving equipment in connection with our power generation including a non-electric-pump system to reduce the electricity usage rate and medium pressure cylinder technology to reduce the energy consumption during the stages of testing and production. In addition, we recycle pebble coal to improve our energy utilization efficiency. We have been listed on the Ministry of Industry and Information Technology's energy efficiency "leader" list in 2016, 2019, 2020.

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

Sustainable and green production and development

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

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

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 December 31, 2024, our seven subsidiaries including Zouping Hongfa Aluminum Technology Co., Ltd, Binzhou Hongzhan Aluminum Technology Co., Ltd, Hontron Holding, Shandong Hongshun Recycling Technology Co., Ltd., Weihai Haixin New Materials Co., Ltd., Weihai Chenxin New Materials Co., Ltd., and Yunnan Hongtai New Material Co. Ltd have passed the ASI Performance Standard V2 (2017) Certification.

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

High profile professional shareholders

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

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

Diversified financing channels with prudent financial management

Leveraging our strong financial and operating performance, we are able to secure funding from diversified financing channels to support our business development. We have entered into long-term relationships with over 40 commercial banks in the PRC and offshore, including, without limitation, Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Everbright Bank, Evergrowing Bank, China Bohai Bank, Shanghai Pudong Development Bank, Crédit Agricole Corporate and Investment Bank, Industrial Bank, ING Bank W.V., Société Générale Corporate and Investment Banking and Industrial and Commercial Bank of China. We further expanded our financing channels by completing a series of issuances of corporate bonds and short- and medium-term debentures in the PRC. As of the date of this offering 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 initial amount up to HK$1,535 million, RMB500 million and US$30 million under the CBI November 2023 Facility (as defined below) (and additional amounts up to HK$250 million pursuant to an additional facility accession agreement, and an amount up to US$40 million (or its equivalent in HK$ or CHN) under the CBI August 2024 Facility (as defined below)). We issued an aggregate principal amount of US$300.0 million of our 6.875% senior notes due 2018 in November 2014, which were redeemed in full at their principal amount together with interest accrued to the maturity date on 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 March 28, 2024, our Company issued the March 2024 Notes, which were redeemed in full at their principal amount together with interest accrued to the maturity date on March 27, 2025. On January 10, 2025, we issued the January 2025 Notes. On March 26, 2025, we issued the March 2025 CB.

In addition, we adhere to prudent financial management policies. Our EBITDA to finance costs ratio was 8.11 for 2023 and 13.23 for 2024. Our annualized net debt to EBITDA ratio was 1.13 for 2023 and 0.57 for 2024. We had bank balances and cash of well over than US$1.0 billion at the end of each of 2022, 2023 and 2024. As of December 31, 2024, our unsecured bank borrowings accounted for approximately 67.8% of the total bank borrowings and our onshore borrowings accounted for approximately 84.7% of our total borrowings.

Experienced management team with established track record

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

Our Strategies

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

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

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

We plan to maintain our capacity to supply alumina by our own production. We expect that the alumina we produce will continue to contribute to a substantial portion of our consumption of alumina in the future. As of December 31, 2024, we maintained 2.00 million tons of alumina production capacity in Indonesia and self-produced alumina satisfied approximately 74.6% of our total alumina demand for the year ended December 31, 2024. We expect that the alumina we produce will continue to contribute to a substantial portion of our consumption of alumina in the future.

We believe that our strengthened vertical integration will help us capture additional cost advantages and further improve our competitiveness in the Chinese aluminum market. In addition, we seek to expand our bauxite sources worldwide to ensure the security of our raw material supply. We believe our joint venture engaging in the bauxite mining business in Guinea will help us to achieve this business goal. In addition, we have production lines of secondary aluminum with a production capacity of 490,000 tons per year. Also, the construction of our lightweight base and several lightweight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum car body, among other things, helped us stretch to downstream industrial chain.

Moreover, we plan to increase the use of green and renewable energy. We are in the process of transferring part of our Group's existing electrolytic aluminum production equipment to Yunnan Province, which has abundant and competitive supply of hydro-electric power. There is ample alumina supply with proximity to nearby provinces and similar to our manufacturing bases in Shandong Province, we can easily access to downstream production community in Yunnan Province. We believe the partial relocation of our current production capacity to Yunnan Province will help us to take the cost advantage of such competitive hydro power electricity there and allow us to conduct production in a more environmentally friendly way. As of December 31, 2024, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of approximately 1.49 million tons. We are in the process of further transferring the existing production capacity of electrolytic aluminum to Yunnan Province, which will then operate by using local hydro-power electricity generated in Yunnan Province.

Enhance product research and development capabilities

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

Increase our marketing and sales efforts

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

OUR PRODUCTS

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

We organize and manage our operations according to our principal products: molten aluminum alloy, aluminum alloy ingots, and aluminum fabrication products. Our other products include alumina and steam. Our molten aluminum alloy and aluminum alloy ingots are labelled as Al99.70 aluminum pursuant to the State quality standards promulgated by the PRC government. See "Business – Quality Control." While most of our aluminum products are primary aluminum produced through smelting, we also produce secondary aluminum by refining waste aluminum products. We have production lines of secondary aluminum with a total production capacity of 490,000 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, 2022, 2023 and 2024, respectively. The following table sets forth the sales volume, revenue, average selling price of, and revenue derived from, each type of our products for the periods indicated:

	For the year ended December 31,											
	2022				2023				2024			
	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue
Aluminum products												
Molten aluminum alloy	4,880,995	85,833.9	17,585	65.2%	5,087,464	83,750.0	16,462	62.7%	5,433,788	95,169.8	17,514	60.9%
Aluminum alloy ingot	592,158	10,393.1	17,551	7.9%	660,854	10,890.8	16,480	8.1%	402,908	7,263.9	18,029	4.7%
Aluminum fabrication products. . . .	609,184	13,302.3	21,836	10.1%	579,818	11,500.4	19,834	8.6%	766,154	15,571.0	20,324	10.0%
Subtotal	6,082,337	109,529.3	18,008	83.2%	6,328,136	106,141.2	16,773	79.4%	6,602,850	118,004.7	17,872	75.6%
Steam	4,612,845	765.4	165.9	0.6%	5,287,089	924.9	174.9	0.7%	4,746,280	812.2	171.1	0.5%
Alumina	8,297,516	21,404.8	2,579.7	16.2%	10,374,056	26,557.5	2,560.0	19.9%	10,921,116	37,351.7	3,420	23.9%
Total.		131,699.4		100.0%		133,623.6		100.0%		156,168.6		100%

Molten aluminum alloy

Molten aluminum alloy is our main product, and it accounted for approximately 65.2%, 62.7% and 60.9% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. Molten aluminum alloy is a red and yellow hot liquid, in which aluminum is the predominant metal and combined with iron, copper, zinc, manganese, silicon, magnesium and other chemical elements. Molten aluminum alloy is an important material for fabricating aluminum products. We use self-manufactured electrolytic aluminum to manufacture molten aluminum alloys.

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

According to Antaike, approximately 70% to 75% 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 7.9%, 8.1% and 4.7% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. Molten aluminum alloy is processed into aluminum alloy ingots through molding, casting and cooling. Our aluminum alloy ingots are produced by using self-manufactured molten aluminum alloy.

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

Other aluminum products

Sales of aluminum fabrication products accounted for approximately 10.1%, 8.6% and 10.0% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. Our downstream aluminum fabrication products principally include aluminum plate, aluminum strip and aluminum foil products. In 2011, we completed a production line in our Binzhou manufacturing base for aluminum alloy casting-rolling and foil products with an aggregate annual production capacity of approximately 30,000 tons as of December 31, 2024. In 2011, we also began building production lines in our Zouping manufacturing base for the production of high precision aluminum plate and strip products and other aluminum products. We began operating the production lines since June 2014. As of December 31, 2024, our production lines for aluminum fabrication products had an aggregate annual production capacity of approximately 1.17 million tons.

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

Alumina

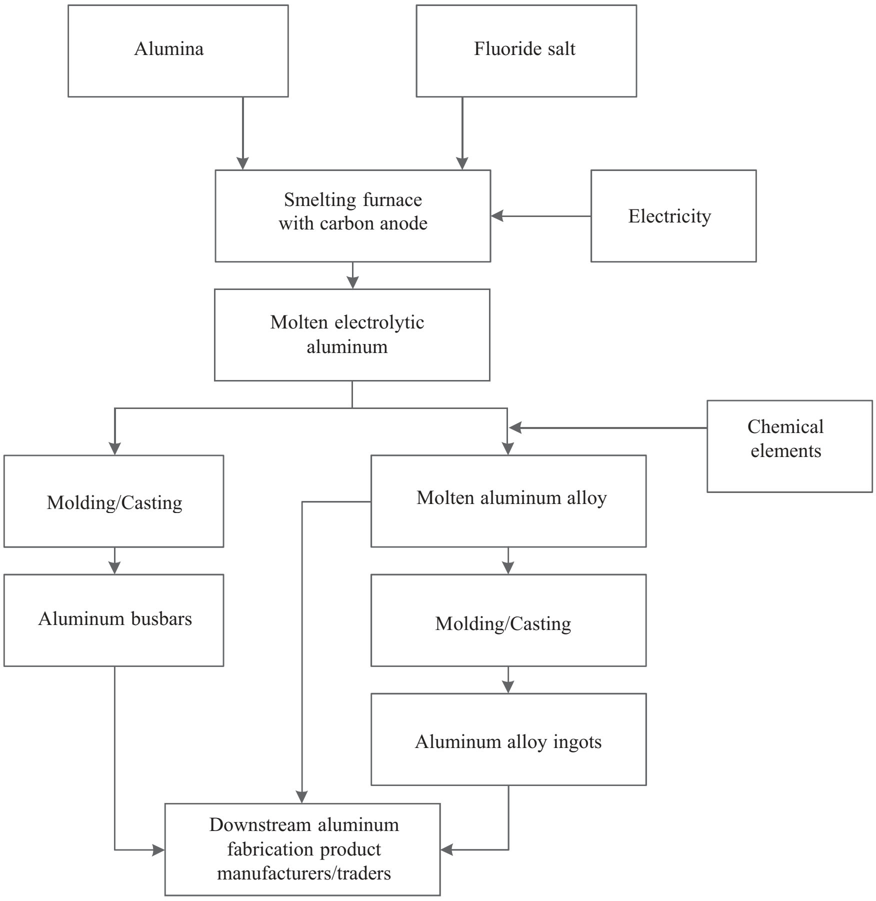
Sales of Alumina accounted for approximately 16.2%, 19.9% and 23.9% of our revenue for the three years ended December 31, 2022, 2023 and 2024, respectively. According to Antaike, in 2024, the alumina prices increased sharply, and the average spot price of domestic alumina increased by approximately 39.7% compared to that of 2023. As one of the top alumina manufacturers in China, our Group benefited from the increased alumina prices and the higher sales volumes, effectively enhancing our profits. The gross profit margin of our alumina products is 15.3%, 11.1% and 35.4% for the three years ended December 31, 2022, 2023 and 2024.

PRODUCTION PROCESS

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

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

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



OUR PRODUCTION FACILITIES

Our Zouping, Beihai New District, Wenshan, Honghe, Weiqiao, Binzhou, Yangxin and Huimin aluminum manufacturing bases had annual production capacity of approximately 2,198,000 tons, 670,000 tons, 1,488,000 tons, 0 tons, 300,000 tons, 482,000 tons, 600,000 tons and 721,000 tons of aluminum product, respectively, as of December 31, 2024 for an aggregate annual production capacity of approximately 6,459,000 tons of aluminum products as of that date. For 2023, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 6,265,000 tons. For 2024, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 6,534,000 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,		
	2022	**2023**	**2024**
Annual production capacity at year end (tons)	6,459,000	6,459,000	6,459,000
Weighted average production capacity (tons)	6,459,000	6,459,000	6,459,000
Production volume (tons)	6,040,708	6,264,512	6,533,965
Utilization rate	93.5%	97.0%	101.2%

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 December 31, 2024. For the three years ended December 31, 2022, 2023 and 2024, our production capacity utilization rates were approximately 93.5%, 97.0% and 101.2%, respectively. We are in the process of transferring part of our Group's existing electrolytic aluminum production equipment to Yunnan Province. As of December 31, 2024, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of 1.49 million tons. We plan to further transfer the existing electrolytic aluminum production equipment to Yunnan Province.

PROCUREMENT

We procure raw materials and energy, including electricity and coal, from external suppliers. Our five largest suppliers together accounted for approximately 40.0%, 30.0% and 29.8%, respectively, of our total procurement for the three years ended December 31, 2022, 2023 and 2024. Our largest supplier for the three years ended December 31, 2022, 2023 and 2024, accounting for approximately 14.0%, 10.7% and 13.0%, 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 December 31, 2024, we had production capacity of 19.0 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 December 31, 2024, it has an annual production capacity of 2.0 million tons of alumina and was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. It produced approximately 2.1 million tons, 2.2 million tons and 2.2 million tons of alumina, respectively, for the three years ended December

31, 2022, 2023 and 2024. The self-produced alumina used by our Group accounted for 74.4%, 77.9% and 74.6% of the alumina (in terms of volume) used in our production of our aluminum products for the three years ended December 31, 2022, 2023 and 2024, respectively. We produce alumina at a cost below the purchase price of alumina that we purchase externally.

Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and maintain long-term cooperative relationships with some suppliers due to our increasingly large scale of production. To help ensure a stable supply and reduce relevant risks, we import bauxite from various places of origin, mainly including Indonesia, Australia as well as our own bauxite mining project in Guinea. Further, we have our own overseas alumina production facilities. We were also involved in the successful creation of a complete bauxite supply chain in Guinea, linking Africa and China. In 2015, we entered into joint venture arrangements with, among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Winning Singapore International Group, for the purpose of developing a bauxite mining project in Guinea. The project involved development of the local bauxite mine as well as investment in the port and local logistics, including construction of barges and docks on either side of the Rio Nunez river. In response to the "Belt and Road Initiative", we established a "Maritime Silk Road" full value chain logistics line stretching over 14,000 nautical miles. The project commenced operations in 2015 with the first shipment of bauxite from Guinea arriving at our domestic base in November 2015, and has realized production of approximately 44.2 million tons of bauxite in 2022, 43.9 million tons of bauxite in 2023, and 63.9 million tons of bauxite in 2024, respectively.

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

Alumina Procurement

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

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

	For the year ended December 31,					
Alumina	**2022**		**2023**		**2024**	
Total Alumina consumed (million tons)	11.92	100.0%	13.06	100.0%	13.46	100%
Self-produced (million tons)	8.87	74.4%	10.17	77.9%	10.04	74.6%
External purchase (million tons)	3.05	25.6%	2.89	22.1%	3.42	25.4%

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, 2022, 2023 and 2024. We had electricity production capacity of approximately 8,880 MW as of December 31, 2024. The volume of electricity supplied by our own thermal power stations accounted for approximately 56.5%, 54.2% and 49.7% of the volume of our total electricity consumption for the three years ended December 31, 2022, 2023 and 2024, respectively.

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

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

	For the year ended December 31,		
	2022	2023	2024
Electricity			
Total electricity consumed (million KWh)	88,182	91,322	94,586
Self-produced (million KWh)	49,842	49,508	47,000
External purchase (million KWh)	38,340	41,814	47,586
Self-sufficiency rate	56.5%	54.2%	49.7%

Our thermal power stations

Power Generation

Our existing thermal power stations started to supply electricity to our operations in January 2007. As of December 31, 2024, our thermal power stations had an installed generation capacity of 8,880 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 4,993 hours and 4,104 hours for 2023 and 2024, respectively, and the utilization rate was approximately 57.0% and 46.8% for the same respective year.

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, 2022, 2023 and 2024, sales of steam accounted for 0.6%, 0.7% and 0.5%, 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,		
	2022	2023	2024
		(RMB/ton)	
Average coal consumption cost (excluding VAT)[(1)]	927	819	690
Average price (including VAT) of mix-quality coal quoted by Qinhuangdao Shanxi quality index[(2)]	1,220	965	855

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 December 31, 2024, we employed 376 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 53.3%, 44.9% and 44.2% of our revenue of continuing operations for the three years ended December 31, 2022, 2023 and 2024, respectively. Certain of our customers are domestic premium aluminum fabrication product manufacturers and well-known traders. Our largest customer accounted for approximately 38.0%, 33.8% and 31.7% of our revenue of continuing operations for the three years ended December 31, 2022, 2023 and 2024, respectively. Sales volume of our aluminum products was approximately 6.1 million tons, 6.3 million tons and 6.6 million tons for the three years ended December 31, 2022, 2023 and 2024, respectively.

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

As most of our molten aluminum alloy customers are located near our manufacturing bases, there is a high geographic concentration of our customers. Our revenue of molten aluminum alloy accounted for approximately 65.2%, 62.7% and 60.9% of our revenue for three years ended December 31, 2022, 2023 and 2024, respectively.

INVENTORY CONTROL

We had inventories of approximately RMB37,267.6 million, RMB33,958.5 million and RMB37,344.0 million (US$5,116.1 million) as of December 31, 2022, 2023 and 2024, respectively. Our average turnover days of inventory, exclusive of those held for sale, were 96, 115 and 114 days for the three years ended December 31, 2022, 2023 and 2024, respectively.

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

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

QUALITY CONTROL

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

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

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

We emphasize quality in our manufacturing processes. To closely monitor our manufacturing processes, we have established a quality control department. As of December 31, 2024, we had 2,867 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. In 2024, we implemented over 529 minor reform projects and as of December 31, 2024, we applied for 1,031 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. Shandong Hongtuo was selected into a list of "leading" enterprises in energy efficiency in key industries for 2023 by the Ministry of Industry and Information Technology, the NDRC, and the State Administration for Market Regulation. As of December 31, 2024, we have two state-level green factories and two provincial-level green factories. The Indonesia alumina project also won the "ASEAN Coal Award 2021 for Industry Application of Clean Coal Technology in the Medium Industrial Category" from the ASEAN Centre for Energy. Further, in 2024, we were awarded the Asset Triple A Digital Awards 2024 by The Asset, a leading magazine in Asia's investment community and were named "Most Honored Company" 2024 (Asia Pacific ex Japan) by Institutional Investor.

DELIVERY OF PRODUCTS

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

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

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

INTELLECTUAL PROPERTY RIGHTS

We place emphasis on protecting the intellectual property rights of our products, processes and technologies. As of December 31, 2024, we were not aware of any of our employees disclosing our intellectual properties which are material to our business to third parties in breach of their contractual obligations.

As of December 31, 2024, we owned the domain names www.hongqiaochina.com, www.hongqiao-china.com, www.hongqiaogroup.cn and www.hongqiaoxc.com. As of December 31, 2024, we also had seven registered trademarks in Hong Kong, and thirty-three registered trademarks in the PRC for our aluminum products.

COMPETITION

The aluminum industry is highly competitive in China. As of December 31, 2024, according to Antaike, there were approximately 99 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, 2024, only 10 primary aluminum manufacturers in China had a designed annual primary aluminum production capacity of 1,000,000 tons or more, which accounted for approximately 72.1% 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, 2024, according to Antaike.

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

ENVIRONMENTAL PROTECTION

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

Aluminum Production

According to relevant PRC environmental laws and regulations, the construction, renovation and expansion of all aluminum-processing projects must comply with relevant aspects of the environmental impact assessment system. According to Article 31 of the Law of the PRC on Environmental Impact Assessment which was amended on 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 PRC on Environmental Impact Assessment, the environmental protection administrative department at or above the county level shall order it to cease construction, and according to the circumstances of violation of law and damage, impose a fine of not less than 1% but not more than 5% of the total investment of the construction project on it, and order it to restore to the original state; and in accordance with the law, take disciplinary actions against the directly responsible person in charge and other directly liable persons of the construction entity;

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

(3) where the construction entity fails to undergo recordation formalities for the environmental impact registration form of a construction project in accordance with the law, the environmental protection administrative department at or above the county level shall order it to undergo recordation, and impose a fine of not more than RMB50,000 on it.

According to Article 21 of the Regulations on the Administration of Construction Project Environmental Protection which was issued on 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 PRC on Environmental Impact Assessment:

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

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

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

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

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

Thermal Power Stations

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

Our Environmental Protection Measures

We have established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of our Group as a whole, such as formulating environmental-related guidelines and policies for our Group in order to ensure compliance with the applicable environmental laws, regulations and standards, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC in order to ensure the internal environmental protection guidelines and policies of our Group is up-to-date, monitoring the compliance with the applicable environmental laws, regulations and standards by regularly inspecting the production facilities and the pollutant discharge facilities of our Group, handling the application for environmental protection approvals and the inspection and any other necessary filings for the construction projects of our Group, liaising with the governmental environment protection authorities in the PRC as and when required and formulating contingency plan for any environmental-related emergency and handling such emergency.

As of December 31, 2024, our environmental protection department comprised 36 environmental protection personnel, all of whom had obtained vocational training college education and majored in environmental science, environmental engineering or environmental inspection and treatment. Mr. Ji Dengpan, who has been the head of our environmental protection department since its establishment in

2007, has approximately fifteen years of experience in environmental protection, and our environmental protection personnel have an average of more than ten years of experience in environmental protection. In addition to these environmental protection personnel, as of December 31, 2024, we also had 2,706 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 RMB15.82 million (US$2.17 million) as of December 31, 2024. Currently, we do not maintain business interruption insurance or insurance relating to the delivery of our products. Our sales contracts generally provide that, once the products leave our manufacturing site, the ownership of such products are immediately transferred to our customers. As a result, we are not responsible for the risk of losses occurring during transportation. In addition, for losses of and damages to our molten aluminum alloy products during delivery, our delivery service providers are responsible if such losses and damages are attributable to their fault. The logistics service providers for aluminum alloy ingots, aluminum alloy casting-rolling products and aluminum busbars are generally responsible for losses of and damages to our products incurred during delivery pursuant to the relevant service agreements. We do not maintain any product liability insurance. We have not made any material claims under our insurance policies and have not experienced any material business interruptions since we commenced our operations.

EMPLOYEES

As of December 31, 2024, we employed approximately 51,320 full-time employees. The table below sets forth the breakdown of our employees by functions as of December 31, 2024.

Function	Number of employees
Aluminum production	24,290
Alumina production	11,618
Power station	6,850
Supply	305
Sales, marketing and delivery	376
Quality control	2,867
General management	5,014
Total	**51,320**

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.

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

Entry Conditions and Industry Policies

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

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

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

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

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

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

Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)(the "**EIT Law**") promulgated by the National People's Congress on 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附加制度的通知》), effective from December 1, 2010, the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設稅法》), effective from September 1, 2021, the Provisional Rules on Levy of Education Surcharge (《徵收教育費附加的暫行規定》(2011年修訂)), promulgated in 2011, and other regulations and rules promulgated by the State Council and other competent authorities of the relevant financial and tax authorities shall apply to foreign-invested enterprises, foreign enterprises and foreign individual.

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

Pursuant to Announcement of the Ministry of Finance and the State Taxation Administration on the Measures for Determining the Tax Basis of Urban Maintenance and Construction Tax and Other Matters (《財政部、稅務總局關於城市維護建設稅計稅依據確定辦法等事項的公告》, effective from September 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 December 31, 2024, we had not been subject to any material administrative penalties due to violation of the Labor Law, the Labor Contract Law and related regulations.

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

Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》)(the "**Production Safety Law**"), effective from 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》), 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 December 31, 2024, our Company has not been imposed any administrative penalties due to violation of foreign exchange laws and regulations.

SAFE issued Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (Hui Fa [2014] 37)(《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37號)), or Circular 37, effective on 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, a producer shall establish proper internal regulatory system for the management of product quality, strictly implement position-oriented quality standards, quality responsibilities and relevant measures for their assessment. A producer should be responsible for the quality of the products produced by it. The quality of the products is required to pass standard inspections. The State has implemented a supervision and inspection system based on random inspection which aims at testing those products that may cause injury to the health or safety of the human body and properties, important industrial products that significantly affect the national economy and other defective products that have been reported by consumers or relevant organizations. We are required under this law to produce aluminum products in accordance with product quality standards. In case of any defective quality issues of our products, we may be subject to complaint or legal proceedings and thus be liable to compensations and resulting legal costs, as well as penalties from competent authorities. Our goodwill in the market may also be adversely affected. Our Company's financial conditions and results of operations may be adversely affected accordingly. We will be required to obtain a production license for our aluminum flat-rolled products and aluminum extrusion products to be produced in our Binzhou manufacturing base in the future, and those products shall also meet the specified quality standard.

DIRECTORS AND SENIOR MANAGEMENT DIRECTORS

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

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

Executive Directors

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

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

Ms. Zheng Shuliang (鄭淑良), aged 78, was appointed as the vice chairman and an executive Director of our Company on January 16, 2011 and a member of the sustainability committee of the Board since March 14, 2025. She joined our Group in July 2009. She successively held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Weiqiao Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Weiqiao Chuangye Group from June 1999 to June 2001. She is currently a director and the vice chairman of Shandong Hongqiao (since January 2010), a director of Weiqiao Aluminum & Power (since November 2011) and the chairman of Binzhou Shiping Charity Foundation (since September 2020). She is the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

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

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

Non-Executive Directors

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

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

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

Mr. Zhang Hao (張浩), aged 50, was appointed as an alternate Director to Mr. Tian Mingming on July 11, 2024. He graduated from University of International Business and Economics (對外經濟貿易大學, formerly known as China Institute of Finance (中國金融學院)) with a bachelor of economics degree majoring in international finance in July 1996. He served as a foreign exchange trader and the deputy manager of the treasury department of China CITIC Bank Corporation Limited (中信銀行股份有限公司, stock code: 998.HK and 601998.SH, formerly known as China CITIC Industrial Bank) successively from August 1996 to June 2003. He served as a director of the financial market department of Calyon Hong Kong Limited from July 2003 to June 2005, and an executive director of the financial market department of Bear Stearns Asia Limited from July 2005 to June 2008. He also served as the managing director of the financial market department of Standard Chartered Bank (HK) Ltd, from July 2008 to July 2014. From 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.

From December 28, 2023 to July 11, 2024, he served as an alternate Director to Mr. Tu Yikai (涂一鍇先生), a former non-executive Director. Since August 2014, he has served as the chief executive officer and the director of CTI Capital Management Limited (中信信惠國際資本有限公司) and also served in CTI Capital Hong Kong Limited (中信信惠國際資本(香港)有限公司), being a wholly-owned subsidiary of CTI Capital Management Limited (中信信惠國際資本有限公司) and holding licenses issued by the Securities and Futures Commission of Hong Kong to carry out regulated activities) as the chief executive officer, the director and the responsible officer for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities and the licensed representative for type 9 (asset management) regulated activities.

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

Independent Non-Executive Directors

Mr. Wen Xianjun (文獻軍), aged 62, was appointed as an independent non-executive Director on March 5, 2021. He has been a member of the audit committee and remuneration committee of the Board 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 also graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) with a master of engineering degree majoring in metallic materials in June 1990. He successively served as an associate engineer of Beijing Non-Ferrous Research Institute from August 1984 to August 1987, an engineer of the technology department of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from July 1990 to June 1992, a deputy director and a senior engineer of Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心) from September 1992 to January 1996, a deputy director of the investment and operations department and a senior engineer of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from February 1996 to April 1998, the deputy head, a director-level consultant and a senior engineer of Industry Administration Department of the State Nonferrous Metals Industry Administration of China (國家有色金屬工業局行業管理司) from May 1998 to December 2000, as well as the director of CPC Central Enterprise Working Committee (中央企業工委) from January 2001 to March 2001. He successively served as the deputy head of industry coordination department, the head of the aluminum department, the vice chairman and a professor level senior engineer of China Nonferrous Metals Industry Association (中國有色金屬工業協會) from April 2001 to April 2021 and also served as the chairman of China Nonferrous Metals Processing Industry Association (中國有色金屬加工工業協會) from October 2010 to October 2017. Mr. Wen has also served as an independent director in various listed companies. He served as an independent director of Henan Zhongfu Industrial Co., Ltd. (河南中孚實業股份有限公司) ("**Zhongfu Industrial**") (a company listed on the Shanghai Stock Exchange (stock code: 600595.SH)) from October 2009 to November 2014, an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鉭業股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000962.SZ) from March 2011 to October 2014, an independent director of Zhejiang Dongliang New Material Co., Ltd.(浙江棟樑新材股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002082.SZ) from May 2011 to September 2013, an independent director of Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd.(焦作萬方鋁業股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000612.SZ) from July 2013 to October 2014, an independent director of Suzhou Lopsking Aluminium Co. Ltd.(蘇州羅普斯金鋁業股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002333.SZ) from October 2013 to October 2014 as well as an independent director of China Zhongwang Holdings Limited(中國忠旺控股有限公司)(a company listed on the Stock Exchange, stock code: 01333.HK) from July 2008 to July 2021. He has served as an independent director of Henan Shenhuo Coal & Power Co., Ltd.(河南神火煤電股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000933.SZ) since May 2020, an independent director of Guangdong Xingfa Aluminium Co. Ltd.(廣東興發鋁業有限公司)(a company listed on the Stock Exchange, stock code: 00098.HK) since August 2021, an independent director of Zhejiang Hailiang Co., Ltd(浙江海亮股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002203.SZ) since September 2021 and an independent director of Zhongfu Industrial (a company listed on the Shanghai Stock Exchange, stock code: 600595.SH) since November 2021.

Mr. Han Benwen(韓本文), aged 74, was appointed as an independent non-executive Director, the chairman of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of the Board on 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(山東鑒鑫會計師事務所有限公司)(formerly known as Zouping Jianxin Certified Public Accountants Corporation(鄒平鑒鑫有限責任會計師事務所))as an accountant from December 1999 to February 2007. He has been working in Zouping Hongrui Accounting & Consulting Services Center(鄒平宏瑞會計諮詢服務中心)as an accountant since February 2007.

Mr. Dong Xinyi(董新義), aged 48, was appointed as an independent non-executive Director and a member of the audit committee of the Board on 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, Shanxi Province, the PRC with a bachelor of law degree majoring in international economic law in July 2000; from Korea University in Seoul, Korea with a master of law degree in August 2006 and the degree of doctor of philosophy in law in August 2009, respectively. He served as a clerk at the civil and administrative procuratorial office, the People's Procuratorate of Huangdao District, Qingdao City, Shandong Province from July 2000 to March 2004. He served as the department head of the legal affair department of Sino-Korea Future Urban Development Co., Ltd.(韓中未來城市開發株式會社)in Korea from July 2009 to July 2010. He served as a postdoctoral researcher at Law School of Renmin University of China(中國人民大學)from July 2010 to June 2012. He served as an independent director of Guangdong Green Precision Components Co., Ltd.(廣東格林精密部件股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 300968.SZ) from September 2016 to August 2024. Since July 2012, he has been serving in various positions at Central University of Finance and Economics(中央財經大學)(the "**CUFE**"), including as a teaching staff, an associate professor and a professor. He has concurrently been serving as the deputy head of the Research Center for Financial Technology and Financial Consumer Rights Protection Law of CUFE(中央財經大學科技金融與金融消費者權益保障法治研究中心, formerly known as the Research Center for Internet and Informal Finance Laws of CUFE(中央財經大學互聯網金融與民間融資法治研究中心)) since May 2015 and the head of Research Center for Technology and Finance Law of CUFE(中央財經大學科技與金融法律研究中心)since June 2017. He has also been the director of Beijing Institute of Financial Services Law(北京市金融服務法學研究會)since December 2014, an attorney at Beijing King & Capital Law Firm(北京市京都律師事務所)since February 2016, and the director of Institute of Securities Law of China Law Society(中國法學會證券法學研究會)since April 2017. He served as a supervisor of Woori Bank (China) Limited(友利銀行(中國)有限公司)from September 2013 to January

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

Ms. Fu Yulin(傅郁林), aged 59, was appointed as an independent non-executive Director and a member of the nomination committee of the Board on 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 our Company is disclosed under the section headed "Executive Directors".

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

Company Secretary

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

Board Committees

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Sustainability Committee

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

Compensation of the Directors and Management

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

The aggregate amount of remuneration (including salaries, allowances and other benefits and contributions to pension schemes) which were paid to our Directors for the three years ended December 31, 2022, 2023 and 2024 was approximately RMB7,738,000, RMB8,097,000 and RMB9,088,000 (US$1,245,051), 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, 2022, 2023 and 2024 were approximately RMB9,420,000, RMB14,249,000 and RMB16,782,000 (US$2,299,125), 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, 2022, 2023 and 2024 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the year ended December 31, 2024, 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.

Name of director	Capacity/nature of interest	Number of Shares	Approximately Percentage of shareholding
Zhang Bo	Beneficial owner	8,870,000	0.10%
	Interest in persons acting in concert	6,155,532,420[4]	66.27%

Name of beneficial shareholder	Capacity/nature of interest	Number of Shares	Approximately Percentage of shareholding
Shiping Prosperity Private Trust Company[1]	Trustee	6,155,532,420[4]	66.27%
Hongqiao Holdings[1]	Beneficial owner	6,155,532,420[4]	66.27%
Zhang Hongxia[2]	Interest in persons acting in concert	6,164,402,420[4]	66.37%
Zhang Yanhong[2]	Interest in persons acting in concert	6,164,402,420[4]	66.37%
CTI Capital Management Limited[3]	Beneficial owner	565,690,170	6.09%

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 our Company held by Hongqiao Holdings. In addition, Mr. Zhang Bo, as the beneficial owner, holds 8,870,000 shares in our 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 our 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 565,690,170 shares of our Company in long position.

(4) The total number of Shares held includes the convertible bonds issued by our Company and held by Hongqiao Holdings.

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, 2022, 2023 and 2024.

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

Name	Relationship
Zouping County Huineng Thermal Power Co., Ltd. (“**Zouping County Huineng**”) 鄒平縣匯能熱電有限公司	Entities controlled by Chuangye Group
Shandong Hongru Textile Technology Co., Ltd. (“**Hongru Textile**”) 山東宏儒紡織科技有限公司	Entities controlled by Chuangye Group
Shandong Phoenix New Material Technology Co., Ltd (“**Shandong Phoenix New Material**”) 山東鳳凰新材料科技有限公司	Associate of a subsidiary of the Company
Weihai Xingheng New Material Technology Co., Ltd. (“**Weihai Xingheng**”) 威海興恒新材料科技有限公司	Associate of a subsidiary of the Company
Binzhou Xingye Water Supply Co., Ltd. (“**Xingye Water**”) 濱州興業供水有限公司	An associate of Chuangye Group

Notes:

(1) Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, who are acting in concert and the controlling shareholders of the relevant holding company of our Company, have a significant non-controlling beneficial interest in Chuangye Group. Chuangye Group is principally engaged in the production and sale of textiles. As of December 31, 2024, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, together with their family members, in aggregate held (directly) approximately 36.70% of the equity interest of Chuangye Group.

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

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

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

	For the year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Purchases of water			
– Jinsha Water Supply	(24,315)	(26,113)	(34,770)
– Chuangye Group	(30,886)	(45,182)	(53,065)
– Xingye Water	–	–	(2,822)
Industrial waste expenses			
– Beihai Solid Waste	(160,569)	(101,394)	(80,840)
– Binneng Energy	–	(572)	–
Purchases of bauxite			
– GTS	(13,426,851)	(14,306,886)	(20,855,435)
– PT. Cita	(799,009)	(1,307,573)	(987,516)
Purchases of electricity			
– Binneng Energy	(14,938,883)	(13,298,361)	(13,265,800)
– Weihai Weiqiao Energy	–	(43,060)	–
– Shandong Binhong	–	(15,490)	(18,910)
– Chuangye Group	–	–	(2)
Purchases of anode carbon block			
– Innovation Carbon Materials	(2,394,356)	(1,677,340)	(1,387,715)
Sales of steam			
– Binzhou Industrial Park	10,453	13,535	14,407
– Ming Hong Textile	3,677	4,512	4,241
– Binzhou Investment	22,278	25,957	22,600
– Zhanhua Weiqiao Port Logistics	533	1,219	1,388
– ZhishengTextite	–	–	39
Legal and professional fee			
– Shandong Ruixin	(10,757)	(4,145)	(21,534)
– Business Aviation	–	(46,699)	(56,111)
– Weiqiao New Energy	–	–	(25,604)
– Feng Huang Material Technology	–	–	(593)
Lease payment			
– Chuangye Group	(2,850)	(40,409)	(40,409)
– Harita Jayaraya	(1,070)	(1,236)	(1,236)
– PT. Antar Sarana Rekasa	(8,427)	(8,640)	(8,640)

	For the year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Interest income from an associate			
– Binneng Energy	114,780	114,780	122,000
– WCSR	41,834	140,828	177,237
– ABM	–	90,184	225,902
Purchase of right-of-use assets			
– Chuangye Group	(83,604)	(764,798)	–
– Weiqiao Textile	(18,956)	–	–
Sales of water			
– Zhanhua Weiqiao Port Logistics	101	94	114
– Weiqao Haiyi	–	5	1
Management fee			
– Junlan Property	–	–	(44)
Sales of coal			
– Binneng Energy	–	–	34,610
Purchases of steam			
– Binnneng Energy	–	(899,482)	(571,921)
– Weihai Weiqiao Energy	–	(3,922)	(3,851)
Purchases of coal			
– Binnneng Energy	–	(201,542)	–
Purchases of accessories			
– Shandong Xiangshang	–	(486)	(481)
– Weiqiao Jiajia	–	(705)	(28)
– Shandong Anhao Medical	–	(161)	(1)
– Weiqiao Haiyi	–	(340)	(260)
– Weiqiao Chuangye	–	(4)	(5)
– Binnneng Energy	–	–	(211)
– Aihuahai (Weihai)	–	–	(6,680)
Sales of electricity			
– Shandong Binhong	–	129	164
– Weiqiao Haiyi	–	–	44
Sales of aluminum products			
– Hangqiao New Material	–	–	13,849
– Weihai Xingheng	–	–	1,193
– Weiqiao Yiwei	–	–	15,507
– Aihuahai (Weihai)	–	–	104,412
– Binnneng Energy	–	–	3,865
Sales of accessories			
– Zouping Huineng	–	–	1

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

	For the year ended December 31,		
	2022	2023	2024
	(RMB in thousands)		
Chuangye Group	3,289,242	3,600,000	6,600,000
Binneng Energy	1,400,000	–	–

Except as disclosed above and as disclosed elsewhere in our financial statements for the three years ended December 31, 2022, 2023 and 2024 (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 December 31, 2024, our total borrowings amounted to approximately RMB72,994.3 million (US$10,000.2 million), of which approximately RMB15,547.7 million (US$2,130.0 million) were secured borrowings. As of December 31, 2024, our total bank borrowings amounted to approximately RMB48.3 billion (US$6.6 billion), of which approximately RMB32.6 billion (US$4.5 billion) was undrawn, and approximately 1.0% of which was USD bank borrowings and approximately 95.6% of which was RMB bank borrowings. Our short-term debt within one year and one to five year medium-term debt accounted for approximately 61.8% and 38.2% of our total debt as of December 31, 2024, respectively. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

Offshore Financing

The January 2021 CB

On 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 our Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of our Company under the January 2021 CB shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the terms and conditions of the January 2021 CB, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.

The January 2021 CB may be converted into Shares at any time on or after 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 for January 2021 CB**") was HK$8.91. The Conversion Price for January 2021 CB will be subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities, other dilutive events and change of control of our Company.

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

The January 2021 CB are unsecured as of the date of this offering 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 March 2025 CB

On March 26, 2025, we issued US$300,000,000 aggregate principal amount of 1.50% convertible bonds, convertible into fully-paid ordinary shares with a par value of US$0.01 each of the Shares. The March 2025 CB will mature on March 26, 2030. The March 2025 CB bear interest from (and including) March 26, 2025 at the rate of 1.50% per annum calculated by reference to the principal amount thereof and payable in U.S. dollars semi-annually. The March 2025 CB constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the March 2025 CB) unsecured obligations of our Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of our Company under the March 2025 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 exceptions as may be provided, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.

The March 2025 CB may be converted into Shares at any time on or after March 26, 2028 up to the close of business on the tenth day prior to the stated maturity of the March 2025 CB (both days inclusive), or if such March 2025 CB shall have been called for redemption before the stated maturity of the March 2025 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 March 2025 CB at 100% of the principal amount together with unpaid accrued interest thereon on March 26, 2030.

The initial conversion price ("**Conversion Price for March 2025 CB**") was HK$20.88. The Conversion Price for March 2025 CB will be subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities, other dilutive events and change of control of our Company.

The March 2025 CB also contain customary redemption provisions and events of default.

The March 2025 CB are unsecured as of the date of this offering memorandum. However, the March 2025 CB contain a customary negative pledge, pursuant to which holders of the March 2025 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 March 2025 CB Notes outstanding.

The January 2025 Notes

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

- the January 2025 Notes will mature on January 10, 2028;
- the January 2025 Notes bear interest at a rate of 7.05% per annum;
- at any time prior to January 10, 2028, we may at our option redeem the January 2025 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the January 2025 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date; and

- at any time and from time to time prior to January 10, 2028, we may at our option redeem up to 35% of the aggregate principal amount of the January 2025 Notes with the net cash proceeds of one or more sales of common stock of our Company in an equity offering at a redemption price of 107.05% of the principal amount of the January 2025 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

As of the date of this offering memorandum, we had a total of US$330 million principal amount of the January 2025 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 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 our 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).

The CBI August 2024 Facility

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

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

The CBI August 2024 Facility agreement contains certain financial covenants such as consolidated tangible net worth requirement and certain customary events of default, including for non-payment of amounts under the facility, breaches of the terms of the facility agreement, insolvency and non-payment of financial indebtedness of any member of our Group.

Onshore Loans

Bilateral Loan Arrangements

Our PRC subsidiaries have entered into bilateral loan agreements with a number of PRC banks, including, without limitation, Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Everbright Bank, China Bohai Bank, Shanghai Pudong Development Bank and Industrial and Commercial Bank of China. The maturity of our loans generally ranges from less than one year to ten years. Our bilateral loan agreements contain customary covenants and events of default.

We have both fixed rate and floating rate borrowings. Fixed rate borrowings are charged at the prevailing market rates ranging from 3.5% to 7.5% per annum as of December 31, 2024. Interests on our borrowings at floating rates are calculated based on the borrowing rates announced by the People's Bank of China.

Other Onshore Debt Financing

Our PRC subsidiaries also raised funds for our business and operation through issuance of corporate bonds and medium-term debentures in the PRC. The maturity of our corporate bonds and medium-term debentures generally ranges from two to five years. Most of our corporate bonds and medium-term debentures contain redemption rights and interest adjustment mechanism. The effective interests for such bonds and medium-term debentures ranged from 2.35% to 5.0% per annum as of December 31, 2024.

All of our corporate bonds were listed in the PRC. Transaction documents for our corporate bonds and medium-term debentures contain customary covenants and events of default. Failure to company with these covenants and other applicable rules and laws may constitute an event of default.

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 CNCBI Trustee 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 and identity 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, the January 2025 Notes and March 2025 CB 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 November 29, 2028, 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 6.925% 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 semi-annually in arrears on May 29 and November 29 of each year (each an "**Interest Payment Date**") commencing November 29, 2025.

Interest on Notes held in individual certificated form will be paid to Holders of record at the close of business on May 14 and November 14 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 of 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, European Alumnium R&D Center SA, Winning Consortium Alumina Pte Ltd, Hongtuo Holding (Hong Kong) Limited and their respective subsidiaries (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 December 31, 2024,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total indebtedness of approximately RMB72,994.3 million (US$10,000.2 million), of which RMB15,547.7 million (US$2,130.0 million) was secured; and

- the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB57,446.6 million (US$7,870.2 million).

In addition, as of December 31, 2024, the Non-Guarantor Subsidiaries had capital commitments of approximately RMB7,455.2 million (US$1,021.4 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. The Trustee shall be entitled (without liability or without any obligation to investigate) to accept such resolution and certificate as sufficient evidence of the satisfaction of such preceding conditions, in which event it shall be conclusive and binding on the Holders.

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. The Trustee shall be entitled (without liability or without any obligation to investigate) to accept such certificate as sufficient evidence of the satisfaction of such release requirements, in which event it shall be conclusive and binding on the Holders.

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 November 29, 2028, 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 November 29, 2028, 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 106.925% 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. The Trustee shall be entitled (without liability or without any obligation to investigate) to accept such certificate, in which event it shall be conclusive and binding on the Holders.

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 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 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 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, but will not be obliged to, 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 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

CNCBI Trustee Limited will be appointed as Trustee under the Indenture, China CITIC Bank International Limited will be appointed as registrar (the "**Registrar**"), and also as 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 depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

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

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

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of the

Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

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

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

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, the Agents and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the 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 depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary 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 depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary 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 Huixian One Road, Zouping Economic Development District, Zouping City, Shandong Province, the PRC, 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 420 Lexington Avenue, Suite 901, New York, NY 10170, 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 November 29, 2028, 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 November 29, 2028, plus all required remaining scheduled interest payments due on such Note through November 29, 2028 (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;

(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; and

(i) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries of the Capital Stock of a Listed Restricted Subsidiary or any issuance of the Capital Stock by a Listed Restricted Subsidiary, provided that (i) the listing rules or other regulatory requirements of the stock exchange applicable to such Listed Restricted Subsidiary are complied with and (ii) such Listed Restricted Subsidiary remains a Restricted Subsidiary after such issuance, sale, transfer or disposition.

"**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 November 29, 2028 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 November 29, 2028.

"**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 "**Incurring**" 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.

“**January 2025 Notes**” means the 7.05% Senior Notes due January 10, 2028 issued by the Company in the aggregate principal amount of US$330,000,000 on January 10, 2025.

“**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).

“**Listed Restricted Subsidiary**” means any Restricted Subsidiary whose common shares is listed for trading on any stock exchange.

“**March 2025 CB**” means the 1.50% convertible bonds due March 26, 2030 issued by the Company in the aggregate principal amount of US$300,000,000 on March 26, 2025.

“**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 jurisdiction of the Cayman Islands.

Pursuant to the Tax Concessions Act of the Cayman Islands, we have obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 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.

Initial Purchaser	Principal Amount of Notes
China CITIC Bank International Limited	US$75,000,000
Guotai Junan Securities (Hong Kong) Limited	US$45,000,000
Crédit Agricole Corporate and Investment Bank	US$45,000,000
CNCB (Hong Kong) Capital Limited	US$5,000,000
CLSA Limited	US$5,000,000
UBS AG Hong Kong Branch	US$45,000,000
DBS Bank Ltd.	US$5,000,000
Deutsche Bank AG, Hong Kong Branch	US$5,000,000
CMB International Capital Limited	US$5,000,000
China International Capital Corporation Hong Kong Securities Limited	US$5,000,000
Haitong International Securities Company Limited	US$5,000,000
BOCI Asia Limited	US$5,000,000
SunRiver International Securities Group Limited	US$5,000,000
Dragonstone Capital Management Limited	US$5,000,000
Fortune Origin Securities Limited	US$5,000,000
BG Securities (HK) Co., Limited	US$5,000,000
Total	**US$270,000,000**

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

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 overallotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Overallotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the 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 fourth 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+4, 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; dcm@cncbinvestment.com; ProjectFoutaVII@clsa.com; sh-asia-ccs-dcm-filing@ubs.com; Project.Fouta2025@ca-cib.com; DCMOmnibus@dbs.com; project.fouta@list.db.com; IB_Project_Fouta_VI@cicc.com.cn; debt.syndicate@bocigroup.com and lunaliu@ds.capital.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that 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.

Singapore SFA Product Classification – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and are Exclude Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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 Han Kun Law Offices LLP as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of the PRC law.

RATINGS

The Notes are expected to be rated "BB-" by S&P Global Ratings Hong Kong Limited ("**S&P**"), "BB+" by Fitch Ratings Ltd. ("**Fitch**") and "BBB-" by Lianhe Ratings Global Limited ("**Lianhe Global**"). The rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P, Fitch or Lianhe Global. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the three years ended December 31, 2022, 2023 and 2024 included in this offering memorandum have been audited by SHINEWING (HK) CPA Limited, public accountants as stated in their reports for each of the fiscal years ended December 31, 2023 and 2024 included herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of Directors dated May 21, 2025.

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 December 31, 2024 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 and identity to the satisfaction of the Trustee at the principal place of business of the Trustee, being at the date of this Offering 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 our 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:

	ISIN	Common Code
Notes	XS3084116055	308411605

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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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 68 to 184, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

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

- 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.

* The English translation is for reference only

Impairment assessment of property, plant and equipment

Refer to note 16 to the consolidated financial statements and the accounting policies on page 103 to 104.

The key audit matter

As at 31 December 2024, the carrying amount of property, plant and equipment amounted to approximately RMB75,393,127,000. 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 RMB2,635,479,000 was recognised for the year ended 31 December 2024.

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 amount.

We evaluated the recoverable amount calculations of the relevant assets prepared by the management by 1) obtaining external valuation reports for those assets where their recoverable amounts are determined by higher of value in use and fair value less cost of disposal; 2) considering the objectivity, independence and competency of the valuation specialist; 3) assessing the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions applied in determining the value in use and fair value less cost of disposal and 4) checking the mathematical accuracy of the impairment models.

IMPAIRMENT ASSESSMENT OF INTEREST IN BINNENG ENERGY

Refer to note 20 to the consolidated financial statements and the accounting policies on page 84.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2024, the carrying amount of the Group's interest in Binneng Energy amounted to approximately RMB5,831,048,000. We have identified the impairment assessment of interest in Binneng Energy as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.	Our procedures were designed to assess the management's process for identifying the existence of impairment indicators for the interest in Binneng Energy and to challenge the reasonableness of the recoverable amount, including projections of cash flows, discount rate and growth rates applied, and future prospects of Binneng Energy. In order to address this matter in our audit, we obtained management's impairment assessment and reviewed the future cash flow forecast prepared by management. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations. We also challenged the discount rates employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources.

IMPAIRMENT ASSESSMENT OF LOANS TO ASSOCIATES

Refer to note 20 and 21 to the consolidated financial statements and the accounting policies on pages 84, 98 to 101.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2024, the Group had loans provided to associates at carrying amount of RMB7,903,718,000, of which RMB5,903,718,000 is included in interests in associates. The loans provided to associates is assessed for impairment individually and involves significant management judgment in assessing the expected credit loss ("ECL"), based on the historical credit loss experience, forward-looking factors specific to the associate and economic environment and the net realisable value of the underlying collateral received. We have identified the impairment assessment of loans to associates as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.	Our procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on loans to associates. In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of input data used by the management with reference to the historical credit loss experience, financial information of associates, recoverable amount of the collateral, the latest available general economic data and forward looking information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

14 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	5	**156,168,720**	133,623,632
Cost of sales		**(114,006,028)**	(112,669,035)
Gross profit		**42,162,692**	20,954,597
Other income and gains	7	**2,984,394**	3,713,038
Selling and distribution expenses		**(661,024)**	(755,274)
Administrative expenses		**(4,992,949)**	(4,952,875)
Other expenses	8	**(2,898,537)**	(945,299)
Finance costs	9	**(3,363,259)**	(3,267,938)
Changes in fair values of financial instruments	31	**(2,192,462)**	(49,044)
Share of profits of associates	20	**1,758,457**	1,193,259
Profit before taxation		**32,797,312**	15,890,464
Income tax expenses	10	**(8,251,619)**	(3,392,712)
Profit for the year	11	**24,545,693**	12,497,752
Attributable to:			
Owners of the Company		**22,372,331**	11,460,678
Non-controlling interests		**2,173,362**	1,037,074
		24,545,693	12,497,752
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(92,886)**	108,753
Share of other comprehensive (expense) income of associates		**(60,235)**	22,707
		(153,121)	131,460
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(90,083)**	(141,210)
Total comprehensive income for the year, net of income tax		**24,302,489**	12,488,002
Total comprehensive income for the year attributable to			
Owners of the Company		**22,074,435**	11,422,590
Non-controlling interests		**2,228,054**	1,065,412
		24,302,489	12,488,002
Earnings per share	15		
– Basic (RMB)		**2.3611**	1.2095
– Diluted (RMB)		**2.3611**	1.1952

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**75,393,127**	70,200,235
Right-of-use assets	17	**9,668,117**	9,675,440
Intangible assets	18	**45,352**	42,907
Investment properties	19	**35,298**	38,159
Deposits paid for acquisition of property, plant and equipment		**1,349,009**	1,045,165
Deferred tax assets	41	**2,621,516**	2,990,023
Interests in associates	20	**13,222,431**	11,034,432
Loan to an associate	21	**2,000,000**	2,000,000
Goodwill	22	**278,224**	278,224
Financial asset at amortised cost	29	**2,494,000**	2,494,000
Financial assets at fair value through other comprehensive income	23	**1,144,810**	1,401,378
Financial assets at fair value through profit or loss	24	**11,088,589**	11,725,159
		119,340,473	112,925,122
CURRENT ASSETS			
Inventories	25	**37,344,003**	33,958,455
Trade receivables	26	**9,773,923**	5,488,751
Bills receivables	27	**6,602,454**	4,977,642
Prepayments and other receivables	28	**7,811,711**	8,747,804
Income tax recoverable		**370,768**	674,610
Restricted bank deposits	30	**2,797,477**	1,826,579
Cash and cash equivalents	30	**44,770,241**	31,721,122
		109,470,577	87,394,963
Non-current assets classified as held for sale	32	**353,982**	–
		109,824,559	87,394,963
CURRENT LIABILITIES			
Trade and bills payables	33	**14,930,515**	11,648,276
Other payables and accruals	34	**13,213,465**	10,603,297
Bank borrowings – due within one year	35	**34,168,202**	30,489,208
Lease liabilities	17	**25,429**	37,952
Income tax payable		**3,674,186**	2,586,352
Short-term debentures and notes	37	**3,000,000**	7,000,000
Medium-term debentures and bonds – due within one year	38	**5,781,304**	8,116,930
Guaranteed notes – due within one year	39	**2,154,409**	3,511,821
Deferred income	42	**35,039**	35,290
		76,982,549	74,029,126
NET CURRENT ASSETS		**32,842,010**	13,365,837
TOTAL ASSETS LESS CURRENT LIABILITIES		**152,182,483**	126,290,959

Consolidated Statement of Financial Position

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	35	**14,134,227**	8,621,908
Other financial liability	36	**2,730,955**	2,965,195
Lease liabilities	17	**932,053**	916,706
Medium-term debentures and bonds – due after one year	38	**9,553,655**	3,206,332
Liability component of convertible bonds – due after one year	40	**2,093,235**	1,963,567
Derivative component of convertible bonds – due after one year	40	**2,109,265**	521,919
Deferred tax liabilities	41	**488,057**	363,704
Deferred income	42	**1,527,538**	1,475,183
		33,568,985	20,034,514
NET ASSETS		**118,613,498**	106,256,445
CAPITAL AND RESERVES			
Share capital	43	**618,881**	618,881
Reserves	44	**107,181,060**	91,625,797
Equity attributable to owners of the Company		**107,799,941**	92,244,678
Non-controlling interests		**10,813,557**	14,011,767
TOTAL EQUITY		**118,613,498**	106,256,445

The consolidated financial statements on pages 68 to 184 were approved and authorised recognised for issue by the board of directors on 14 March 2025 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 2024

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 44(d))	Capital reserve RMB'000 (Note 44(a))	Translation reserve RMB'000 (Note 44(c))	Statutory surplus reserve RMB'000 (Note 44(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2024	618,881	25,040,832	(860,981)	327,046	426,433	18,820,750	47,871,717	92,244,678	14,011,767	106,256,445
Profit for the year	-	-	-	-	-	-	22,372,331	22,372,331	2,173,362	24,545,693
Other comprehensive (expense) income for the year:										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(90,083)	-	-	-	-	(90,083)	-	(90,083)
Disposal of financial assets at fair value through other comprehensive income	-	-	809,622	-	-	-	(809,622)	-	-	-
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(147,578)	-	-	(147,578)	54,692	(92,886)
Share of other comprehensive income of associates	-	-	-	-	(60,235)	-	-	(60,235)	-	(60,235)
Total comprehensive (expense) income	-	-	719,539	-	(207,813)	-	21,562,709	22,074,435	2,228,054	24,302,489
Capital contribution	-	-	-	-	-	-	-	-	74,894	74,894
Change in ownership in interest in a subsidiary (note 48)	-	-	-	1,139,365	-	-	-	1,139,365	(4,223,374)	(3,084,009)
Transfer of reserves	-	-	-	-	-	7,208,169	(7,208,169)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(7,658,537)	(7,658,537)	(1,277,784)	(8,936,321)
	-	-	-	1,139,365	-	7,208,169	(14,866,706)	(6,519,172)	(5,426,264)	(11,945,436)
At 31 December 2024	618,881	25,040,832	(141,442)	1,466,411	218,620	26,028,919	54,567,720	107,799,941	10,813,557	118,613,498

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 44(d))	Capital reserve RMB'000 (Note 44(a))	Translation reserve RMB'000 (Note 44(c))	Statutory surplus reserve RMB'000 (Note 44(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777
Profit for the year										
Other comprehensive (expense) income for the year:	–	–	–	–	–	–	11,460,678	11,460,678	1,037,074	12,497,752
Fair value loss on investments in equity instruments at fair value through other comprehensive income	–	–	(141,210)	–	–	–	–	(141,210)	–	(141,210)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	80,415	–	–	80,415	28,338	108,753
Share of other comprehensive income of associates	–	–	–	–	22,707	–	–	22,707	–	22,707
Total comprehensive (expense) income	–	–	(141,210)	–	103,122	–	11,460,678	11,422,590	1,065,412	12,488,002
Capital contribution	–	–	–	–	–	–	–	–	1,078,868	1,078,868
Acquisition of a subsidiary (note 47)	–	–	–	–	–	–	–	–	752,371	752,371
Change in ownership in interest in a subsidiary (note 48)	–	–	–	109,347	–	–	–	109,347	(109,347)	–
Transfer of reserves	–	–	–	–	–	2,516,563	(2,516,563)	–	–	–
Dividends paid (note 14)	–	–	–	–	–	–	(3,786,112)	(3,786,112)	(582,461)	(4,368,573)
	–	–	–	109,347	–	2,516,563	(6,302,675)	(3,676,765)	1,139,431	(2,537,334)
At 31 December 2023	618,881	25,040,832	(860,981)	327,046	426,433	18,820,750	47,871,717	92,244,678	14,011,767	106,256,445

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**32,797,312**	15,890,464
Adjustments for:			
Interest income		**(1,257,966)**	(1,023,491)
Finance costs		**3,363,259**	3,267,938
Share of profits of associates		**(1,758,457)**	(1,193,259)
Depreciation of property, plant and equipment		**6,274,799**	6,950,068
Depreciation of investment properties		**2,861**	2,887
Depreciation of right-of-use assets		**284,610**	226,135
Gain on disposal of property, plant and equipment		**(100,444)**	(69,939)
Loss on fair values changes of financial instruments		**2,192,462**	49,044
Amortisation of intangible assets		**5,740**	6,945
Amortisation of deferred income		**(43,856)**	(44,898)
Reversal of write-down of inventories		**–**	(8,195)
Impairment of trade receivables		**1,795**	620
Impairment (reversal of impairment) of other receivables		**9**	(3,603)
Write-down of inventories		**261,254**	126,282
Impairment loss recognised in respect of property, plant and equipment		**2,635,479**	805,162
Impairment loss recognised in respect of right-of-use assets		**–**	13,235
Gain on disposal of an associate		**–**	(21,053)
Unrealised foreign exchange loss, net		**149,698**	97,068
Operating cash flows before movements in working capital		**44,808,555**	25,071,410
(Increase) decrease in inventories		**(3,693,920)**	3,233,686
Increase in trade receivables		**(4,334,790)**	(857,579)
(Increase) decrease in bills receivables		**(1,624,812)**	595,533
Decrease in prepayments and other receivables		**930,735**	1,562,698
Increase (decrease) in trade and bills payables		**3,231,924**	(3,338,788)
Increase (decrease) in other payables and accruals		**1,032,253**	(2,178,424)
Cash generated from operations		**40,349,945**	24,088,536
Income tax paid		**(6,367,083)**	(1,686,234)
NET CASH FROM OPERATING ACTIVITIES		**33,982,862**	22,402,302

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES			
Purchase of financial asset at amortised cost		**–**	(2,494,000)
Proceeds from disposal of financial assets at amortised cost		**–**	2,499,000
Purchase of financial assets at FVTPL		**–**	(9,225,159)
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment		**(12,608,507)**	(6,046,330)
Placement of restricted bank deposits		**(2,260,683)**	(758,033)
Proceeds from disposal of an associate		**–**	678,990
Proceeds from disposal of property, plant and equipment		**297,866**	383,906
Addition to right-of-use assets		**(213,026)**	(1,208,879)
Interest received		**1,257,966**	791,571
Dividend income received from associates		**756,332**	–
Withdrawal of restricted bank deposits		**1,289,785**	651,512
Purchases of intangible assets		**(8,185)**	(15,561)
Capital refund of associates		**214,137**	550,250
Loan to an associate		**(1,435,044)**	(625,985)
Repayment of loan to an associate		**–**	759,668
Proceeds from disposal of financial assets at fair value through other comprehensive income		**166,485**	–
Net cash outflow on acquisition of subsidiaries	47	**–**	(3,006,976)
Proceeds of disposal of other financial asset		**–**	2,122
Capital injection to associates		**(14,498)**	(824,609)
NET CASH USED IN INVESTING ACTIVITIES		**(12,557,372)**	(17,888,513)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**39,836,310**	38,227,341
Proceeds from other financial liability		**–**	2,962,600
Proceeds from issuance of medium-term debentures and bonds		**9,600,000**	3,220,000
Proceeds from issuance of short-term debentures and notes		**3,000,000**	7,000,000
Proceeds from issuance of guaranteed notes		**2,131,770**	–
Receipt of government grants		**95,960**	724,395
Transaction costs on issuance of medium-term debentures and bonds		**(39,000)**	(11,400)
Transaction costs on issuance of short-term debentures and notes		**(9,000)**	(9,000)
Transaction costs on issuance of guaranteed notes		**(17,055)**	–
Repayment of lease liabilities		**(61,664)**	(78,571)
Interest expense paid		**(3,859,208)**	(3,206,742)
Acquisition of additional interest in subsidiary		**(3,084,009)**	–
Repayment of bank borrowings		**(30,696,927)**	(34,901,012)
Repayment of short-term debentures and bonds		**(7,000,000)**	(3,000,000)
Repayment of medium-term debentures and bonds		**(5,500,000)**	(6,401,045)
Repayment of guaranteed notes		**(3,554,300)**	(1,436,432)
Contribution from non-controlling interests		**74,894**	1,078,868
Dividends paid		**(9,348,317)**	(4,368,578)
NET CASH USED IN FINANCING ACTIVITIES		**(8,430,546)**	(199,576)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**12,994,944**	4,314,213
Effect of changes in foreign exchange rates		**54,175**	22,367
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**31,721,122**	27,384,542
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		**44,770,241**	31,721,122

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent and immediate holding company is China Hongqiao Holdings Limited ("**Hongqiao Holdings**"), a company incorporated in the British Virgin Islands ("**BVI**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company, and the principal activities of its subsidiaries (together with the Company, referred to as the "**Group**") are set out in note 55.

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

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

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") which are effective for the Group's financial year beginning on 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Impact on application of Amendments to IAS 1 – Classification of Liabilities as Current or Non-current; and Amendments to IAS 1 – Non-current Liabilities with Covenants

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current issued in 2020 clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification.

Amendments to IAS 1 – Non-current Liabilities with Covenants issued in 2022 further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The adoption of the amendments has no impact on the Group's classification of liabilities as at 1 January 2023, 31 December 2023 and 31 December 2024.

New and amendments to IFRSs issued but not yet effective

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

IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual period beginning on or after a date to be determined.

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

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

New and amendments to IFRSs issued but not yet effective (Continued)

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the consolidated financial statements of the Group.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Company's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Amendments to IAS 21 Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments include requirements on classification of financial assets with environmental, social or governance (ESG) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity

To allow companies to better report the financial effects of nature-dependent electricity contracts, the IASB published the Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity, which clarifying the application of the 'own-use' requirements; permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

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

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

The material accounting policies are set out below.

Basis of consolidation

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

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

3. MATERIAL ACCOUNTING POLICY INFORMATION (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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. The amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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, and assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and HKAS 19 *Employee Benefits*, respectively;

- 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum 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.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Goodwill

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Interests in associates

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

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

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

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

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

The requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Interests in associates (Continued)

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

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

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. In applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Non-current assets held for sale

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

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

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract liabilities

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

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

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

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

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

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).

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

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

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

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

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

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

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (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

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investment properties (Continued)

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 acquired in business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Inventories

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

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investments in subsidiaries

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

Financial instruments

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

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

Financial assets

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

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

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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, 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).

Equity instruments designated as at FVTOCI

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI (Continued)

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income and gains' line item in profit or loss.

Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item. Fair value is determined in the manner described in note 46.

A financial asset is held for trading if:

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

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

- it is a derivative.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk (Continued)

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 debt instrument is determined to have low credit risk if (i) the debt instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Credit-impaired financial assets

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

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, e.g. when the counterparty has been placed under liquidation. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Measurement and recognition of ECL (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the “changes in fair values of financial instruments” line item in profit or loss.

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both liability and derivatives (which are not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option and redemption option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as derivatives components. At the date of issue, both the liability and derivatives components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value except for net realisable value of inventories and value in use of assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

As disclosed in notes 16 and 17, there are properties and land use rights located in the PRC of which the Group is in the process of obtaining the ownership certificate. Despite the fact that the Group has not obtained the relevant legal title, the directors of Company determine to recognise these lands and buildings on the ground that there is no legal barrier or otherwise for the Group to obtain such title ownership certificates and the Group is in substance controlling these lands and buildings. In the opinion of the directors of Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

Controls in subsidiaries

As per note 55 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even though the Group has only 22.65% (2023: 21.72%) 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 77.35% (2023: 78.28%) of the ownership interests were held by numerous shareholders that were unrelated to the Group.

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

Withholding tax provision on profit appropriation

The Group provides for withholding taxes on certain of its PRC subsidiaries' distributable profits generated in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2024, the amount provided for withholding tax was approximately RMB447,511,000 (2023: RMB270,488,000). Further details are given in note 41 to the consolidated financial statements.

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

Key sources of estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2024 were approximately RMB575,104,000 (2023: RMB730,724,000). The amount of unrecognised tax losses at 31 December 2024 was approximately RMB2,099,230,000 (2023: RMB2,232,501,000). Further details are contained in note 41.

Estimated impairment of property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB75,393,127,000 (2023: RMB70,200,235,000), net of accumulated impairment of property, plant and equipment of approximately RMB7,128,337,000 (2023: RMB4,492,858,000) 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, depreciation rate, discount rates and market prices of scrap metal price. 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 RMB2,635,479,000 (2023: RMB805,162,000) was recognised for the year ended 31 December 2024.

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 2024 are RMB75,393,127,000 (2023: RMB70,200,235,000).

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2024, the carrying amount of trade receivables was approximately RMB9,773,923,000 (2023: RMB5,488,751,000), net of allowance for impairment loss of approximately RMB9,134,000 (2023: RMB7,339,000).

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 2024, the carrying amount of interests in associates, excluding the loans to associates, was RMB7,318,713,000 (2023: RMB6,565,758,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2024 and 2023.

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 2024, the carrying amount of loans to associates amounted to RMB7,903,718,000 (2023: RMB6,468,674,000), of which RMB5,903,718,000 (2023: RMB4,468,674,000) is included in interests in associates. No impairment loss has been recognised in profit or loss during the years ended 31 December 2024 and 2023.

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

Key sources of estimation uncertainty (Continued)

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2024, the carrying amount of inventories was approximately RMB37,344,003,000 (2023: RMB33,958,455,000), after netting off of accumulated allowance of inventories of approximately RMB187,250,000 (2023: RMB96,099,000).

Fair value of derivative component of convertible bonds

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The fair value of derivative component of convertible bonds of approximately RMB2,109,265,000 (2023: RMB521,919,000) as at 31 December 2024 are set out in note 40.

Fair value of financial assets measured at FVTPL and FVTOCI

The management of the Group use their judgements in selecting appropriate valuation techniques for financial instruments not quoted in an active market. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates. As at 31 December 2024, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately RMB84,360,000 (2023: RMB94,412,000). As at 31 December 2024, the carrying amount of the limited partnerships classified as financial assets at FVTPL was approximately RMB11,088,589,000 (2023: RMB11,725,159,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

5. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	2024 RMB'000	2023 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**95,169,828**	83,750,044
– aluminum alloy ingots	**7,263,939**	10,890,825
– aluminum fabrication	**15,571,014**	11,500,388
– alumina	**37,351,737**	26,557,457
Steam supply income	**812,202**	924,918
	156,168,720	133,623,632

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

	2024 RMB'000	2023 RMB'000
Geographical region		
The PRC	**142,787,017**	126,397,054
India	**4,623,728**	2,412,216
Europe	**4,324,118**	2,255,909
Malaysia	**386,711**	421,062
Other Southeast Asia region	**2,482,369**	1,295,061
North America	**1,094,521**	596,995
Others	**470,256**	245,335
Total	**156,168,720**	133,623,632
Type of customers		
Government related	**377**	289
Non-government related	**156,168,343**	133,623,343
Total	**156,168,720**	133,623,632
Sales channels		
Direct sales	**156,168,720**	133,623,632

Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year, thus the Group applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

6. SEGMENT INFORMATION

For management purposes, the Group operates only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in the PRC (including Hong Kong) and Indonesia. Management monitors the operating results of its business unit as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

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

	Non-current assets	
	2024 **RMB'000**	2023 RMB'000
PRC	**93,631,293**	85,721,885
Indonesia	**6,360,265**	6,592,677
	99,991,558	92,314,562

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

Information about major customers

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

	2024 **RMB'000**	2023 RMB'000
Customer A	**49,439,232**	45,121,545

7. OTHER INCOME AND GAINS

	2024 **RMB'000**	2023 RMB'000
Bank interest income	**352,615**	307,644
Other interest income	**225,560**	216,382
Investment income	**154,652**	153,673
Interest income from loans to associates	**525,139**	345,792
Gain from sales of raw materials and scraps materials	**750,325**	1,071,479
Gain from sales of slag of carbon anode blocks	**694,657**	1,361,216
Reversal of write-down of inventories	**–**	8,195
Reversal of impairment of other receivables	**–**	3,603
Amortisation of deferred income	**43,856**	44,898
Rental income for investment properties under operating lease that lease payments are fixed	**600**	600
Gain on disposal of an associate	**–**	21,053
Gain on disposal of property, plant and equipment	**100,444**	69,939
Others	**136,546**	108,564
	2,984,394	3,713,038

8. OTHER EXPENSES

	2024 **RMB'000**	2023 RMB'000
Impairment loss recognised in respect of property, plant and equipment	**2,635,479**	805,162
Impairment loss recognised in respect of right-of-use assets	**–**	13,235
Impairment loss recognised in respect of other receivables	**9**	–
Impairment loss recognised in respect of trade receivables	**1,795**	620
Write-down of inventories	**261,254**	126,282
	2,898,537	945,299

9. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on bank borrowings	**2,494,067**	2,484,126
Interest expenses on short-term debentures and notes	**229,161**	222,182
Interest expenses on medium-term debentures and bonds	**690,458**	679,762
Interest expenses on guaranteed notes	**294,010**	229,095
Interest expenses on convertible bonds (note 40)	**194,812**	182,338
Interest expenses on other financial liability (note 36)	**177,756**	2,595
Interest expenses on lease liabilities (note 17(iii))	**44,700**	30,955
Total interest expense for financial liabilities not measured at FVTPL	**4,124,964**	3,831,053
Less: amounts capitalised in the cost of qualifying assets	**(761,705)**	(563,115)
	3,363,259	3,267,938

10. INCOME TAX EXPENSES

	2024 RMB'000	2023 RMB'000
Current tax:		
– PRC Enterprise Income Tax	**7,239,156**	3,715,079
– Indonesia Corporate Income Tax	**337,845**	202,718
– Withholding tax	**181,758**	19,832
	7,758,759	3,937,629
Deferred taxation	**492,860**	(544,917)
Total income tax expenses for the year	**8,251,619**	3,392,712

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% for both years. During the years ended 31 December 2024 and 2023, 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% (2023: 15%).

Under the Law on the Harmonization of Tax Regulations of 2021, the Group's subsidiary in Indonesia is subject to corporate income tax at 22% for both years.

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2024 and 2023 as there were no assessable profits generated during the year.

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

10. INCOME TAX EXPENSES (Continued)

Pillar Two Income Taxes

The Group is subject to the global minimum top-up tax under the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group has applied the temporary exception from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Under the prevailing EIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax rate of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future.

Indonesia withholding income tax of 10% was levied on the Indonesia subsidiary when dividend was paid out from its profits to shareholders. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

	2024 **RMB'000**	2023 RMB'000
Profit before taxation	**32,797,312**	15,890,464
Tax at the domestic income tax rate of 25% (note i)	**8,199,328**	3,972,616
Tax effect of income not taxable for tax purpose	**(40,979)**	(39,222)
Tax effect of expenses not deductible for tax purpose	**692,032**	208,595
Tax effect of tax losses not recognised	**126,829**	180,329
Utilisation of tax losses previously not recognised	**(165,283)**	(108,905)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(18,193)**	(13,543)
Effect of income tax on concessionary rate	**(165,866)**	(189,475)
Withholding tax	**181,758**	19,832
Tax effect of share of profits of associates	**(446,364)**	(298,315)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries (note 41)	**177,023**	(87,609)
Tax effect of super deduction from research and development expenses (note ii)	**(288,666)**	(251,591)
Income tax expenses for the year	**8,251,619**	3,392,712

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

Note ii: An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax laws and its relevant regulations.

Details of the deferred taxation are set out in note 41.

11. PROFIT FOR THE YEAR

	2024 RMB'000	2023 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	**9,088**	8,097
Salaries and allowances (excluding directors' and chief executive's emoluments)	**5,141,577**	4,623,370
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**407,159**	403,625
Total staff costs	**5,557,824**	5,035,092
Auditor's remuneration	**4,200**	4,200
Amortisation of intangible assets	**5,740**	6,945
Cost of inventories recognised as an expense	**114,128,313**	112,669,035
Depreciation of property, plant and equipment	**6,274,799**	6,950,068
Depreciation of investment properties	**2,861**	2,887
Depreciation of right-of-use assets	**284,610**	226,135
Foreign exchange loss, net	**222,689**	223,678
Research and development expenses (note)	**1,154,665**	1,006,363
Gross rental income from investment properties	**600**	600
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**–**	–
	600	600

Note: Included in research and development expenses was staff cost of approximately RMB147,963,000 (2023: RMB282,756,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 13 (2023: 14) directors and the chief executive were as follows:

	Executive directors				Non-executive directors					Independent non-executive directors				
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Tian Mingming[1] (Zhang Hao as his alternative) RMB'000	Tu Yikai[2] (Zhang Hao as his alternative) RMB'000	Sun Dongdong RMB'000	Han Benwen RMB'000	Fu Yulin[3] RMB'000	Dong Xinyi RMB'000	Wen Xianjun RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2024														
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	200	200	200	4,250
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	302	520	315	2,930	402	-	-	-	275	-	-	-	-	4,744
– Retirement benefit scheme contributions	-	24	15	16	24	-	-	-	15	-	-	-	-	94
	802	1,344	830	3,446	1,026	300	-	-	590	150	200	200	200	9,088

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Executive directors				Non-executive directors					Independent non-executive directors					
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Tu Yikai[2] (Zhang Hao as his alternative) RMB'000	Liu Xiaojun[4] (Zhang Hao as his alternative) RMB'000	Sun Dongdong RMB'000	Xing Jian[5] RMB'000	Han Benwen RMB'000	Fu Yulin[3] RMB'000	Dong Xinyi RMB'000	Wen Xianjun RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2023															
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings															
Fees	500	800	500	500	600	–	–	300	300	55	150	126	200	200	4,231
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings															
Other emoluments															
– Salaries, bonus and allowances	78	187	117	3,094	158	–	–	–	130	–	–	–	–	–	3,764
– Retirement benefit scheme contributions	–	20	15	32	20	–	–	–	15	–	–	–	–	–	102
	578	1,007	632	3,626	778	–	–	300	445	55	150	126	200	200	8,097

1. Appointed on 11 July 2024.
2. Appointed on 28 December 2023 and resigned on 11 July 2024.
3. Appointed on 16 May 2023.
4. Resigned on 28 December 2023.
5. Retired on 16 May 2023.

During the years ended 31 December 2024, none of the chief executive nor directors waived any emoluments (2023: except for one non-executive director waived emoluments of RMB300,000, none of the chief executive nor other directors waived any emoluments).

There were no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The performance related bonus is determined by the Group having regard to the director's performance and the prevailing market conditions.

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 2024 and 2023.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2023: one) was director of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining four (2023: four) individuals were as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries and other benefits	**13,095**	10,401
Retirement benefits scheme contributions	**241**	222
	13,336	10,623

Their emoluments were within the following bands:

	No. of employee	
	2024	2023
HK$2,000,001 to HK$2,500,000 (approximately RMB1,852,001 to RMB2,315,000)	**–**	2
HK$2,500,001 to HK$3,000,000 (approximately RMB2,315,001 to RMB2,778,000)	**1**	–
HK$3,000,001 to HK$3,500,000 (approximately RMB2,778,001 to RMB3,241,000)	**–**	1
HK$3,500,001 to HK$4,000,000 (approximately RMB3,241,001 to RMB3,704,000)	**1**	1
HK$4,000,001 to HK$4,500,000 (approximately RMB3,704,001 to RMB4,167,000)	**2**	–
	4	4

14. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends recognised as distribution during the year:		
2024 Interim dividend – HK59 cents (2023: 2023 Interim dividend – HK12 cents) per share	**5,161,444**	1,028,382
2023 Interim special dividend – HK22 cents (2024: nil) per share	**–**	1,885,366
2023 Final dividend – HK29 cents (2023: 2022 Final dividend – HK10 cents) per share	**2,497,093**	872,364
	7,658,537	3,786,112

Subsequent to the end of the reporting period, a final dividend of HK102 cents per share in respect of the year ended 31 December 2024, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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:

	2024 RMB'000	2023 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**22,372,331**	11,460,678
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**–**	182,338
Changes in fair values of derivative component of convertible bonds	**–**	49,044
Exchange loss on translation of convertible bonds	**–**	21,380
Earnings for the purpose of diluted earnings per share	**22,372,331**	11,713,440

	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,475,538**	9,475,538
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	325,169
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,475,538**	9,800,707

The computation of diluted earnings per share for the year ended 31 December 2024 did not assume the conversion of the Company outstanding convertible bonds since their exercise would result in an increase in earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Aircraft RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2023	47,799,684	65,818,024	125,394	114,210	356,631	7,170,066	121,384,009
Additions	18,941	115,967	6,023	39,731	–	5,789,967	5,970,629
Transfer	2,206,567	2,842,196	–	–	–	(5,048,763)	–
Acquired on acquisition from a subsidiary (note 47)	1,542,395	1,452,308	858	1,215	–	1,108,105	4,104,881
Disposals	(299,769)	(2,349,975)	(2,698)	(18,420)	–	–	(2,670,862)
Exchange realignment	126,237	53,372	559	237	877	–	181,282
At 31 December 2023 and 1 January 2024	51,394,055	67,931,892	130,136	136,973	357,508	9,019,375	128,969,939
Additions	–	586,284	14,156	24,793	–	13,907,912	14,533,145
Transfer	2,830,975	2,317,893	–	–	–	(5,148,868)	–
Transfer to non-current assets classified as held for sales (note 32)	–	(2,914,377)	(1,712)	–	–	–	(2,916,089)
Disposals	(88,137)	(507,173)	(758)	(8,651)	–	–	(604,719)
Exchange realignment	132,569	50,255	245	680	745	–	184,494
At 31 December 2024	54,269,462	67,464,774	142,067	153,795	358,253	17,778,419	140,166,770
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2023	15,653,280	37,060,433	97,777	56,621	29,333	426,266	53,323,710
Provided for the year	2,102,325	4,774,221	12,587	35,625	25,310	–	6,950,068
Impairment loss recognised in profit or loss	302,537	285,273	–	–	–	217,352	805,162
Eliminated on disposals	(32,790)	(2,319,887)	–	(4,218)	–	–	(2,356,895)
Exchange realignment	30,925	16,016	434	196	88	–	47,659
At 31 December 2023 and 1 January 2024	18,056,277	39,816,056	110,798	88,224	54,731	643,618	58,769,704
Provided for the year	1,770,891	4,429,925	10,647	38,024	25,312	–	6,274,799
Impairment loss recognised in profit or loss	1,332,070	1,234,061	–	–	–	69,348	2,635,479
Transfer to non-current assets classified as held for sales (note 32)	–	(2,560,579)	(1,528)	–	–	–	(2,562,107)
Eliminated on disposals	(45,228)	(353,341)	(684)	(8,044)	–	–	(407,297)
Exchange realignment	40,565	21,512	589	245	154	–	63,065
At 31 December 2024	21,154,575	42,587,634	119,822	118,449	80,197	712,966	64,773,643
CARRYING VALUES							
At 31 December 2024	33,114,887	24,877,140	22,245	35,346	278,056	17,065,453	75,393,127
At 31 December 2023	33,337,778	28,115,836	19,338	48,749	302,777	8,375,757	70,200,235

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	20-30 years
Plant and machinery	5-20 years
Furniture and fixtures	5-14 years
Motor vehicles	10 years
Aircraft	15 years

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

At 31 December 2024, certain of the Group's buildings with a net carrying amount of approximately RMB9,487,773,000 (2023: RMB10,523,030,000) were pledged to secure bank borrowings of the Group (note 49).

There are properties with a carrying amount of approximately RMB5,215,238,000 (2023: RMB5,900,290,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant. The carrying values of these individual plants were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering expected earning period.

During the year ended 31 December 2024, the directors of the Company conducted a review and determine that certain power plants and construction in progress (2023: certain power plants, construction in progress and right-of-use assets) were impaired. The recoverable amounts of relevant property, plant and equipment and right of use assets were approximately RMB974,581,000 (2023: RMB3,353,960,000) and have been determined based on the higher of their value in use and fair value less costs of disposal and the impairment of approximately RMB2,635,479,000 (2023: RMB818,397,000) had been recognised in profit or loss.

No reversal of impairment of property, plant and equipment was recognised during the years ended 31 December 2024 and 2023.

The valuations carried out on 31 December 2024 and 2023 were performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar property, plant and equipment in the relevant industries.

The fair value measurement of the property, plant and equipment is categorised within level 3 of the fair value hierarchy. There were no transfers between levels of fair value hierarchy during the year.

17. LEASES

(i) Right-of-use assets

	Land use rights RMB'000	Properties RMB'000	Vessels, crew boats and crane barge RMB'000	Total RMB'000
COST				
As at 1 January 2023	8,318,070	105,166	42,593	8,465,829
Additions	2,157,807	16,023	–	2,173,830
Acquired on acquisition of subsidiaries (note 47)	67,475	–	–	67,475
Exchange realignment	568	15	329	912
At 31 December 2023 and 1 January 2024	10,543,920	121,204	42,922	10,708,046
Additions	275,612	2,119	–	277,731
Exchange realignment	(326)	(12)	(88)	(426)
At 31 December 2024	10,819,206	123,311	42,834	10,985,351
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January 2023	709,910	55,583	27,658	793,151
Depreciation for the year	205,099	13,486	7,550	226,135
Impairment loss recognised in profit or loss	13,235	–	–	13,235
Exchange realignment	–	3	82	85
At 31 December 2023 and 1 January 2024	928,244	69,072	35,290	1,032,606
Depreciation for the year	267,563	9,518	7,529	284,610
Exchange realignment	–	3	15	18
At 31 December 2024	1,195,807	78,593	42,834	1,317,234
CARRYING VALUES				
At 31 December 2024	9,623,399	44,718	–	9,668,117
At 31 December 2023	9,615,676	52,132	7,632	9,675,440

As at 31 December 2024, right-of-use assets of RMB9,623,399,000 (2023: RMB9,615,676,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years.

As at 31 December 2024, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB267,668,000 (2023: RMB572,399,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

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 (2023: ranged from 2 to 20 years).

17. LEASES (Continued)

(i) Right-of-use assets (Continued)

During the year ended 31 December 2024, the Group entered into a number of new lease agreements for offices premises and land use rights and recognised right-of-use assets of approximately RMB277,731,000 (2023: RMB2,173,830,000).

At 31 December 2024, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB916,378,000 (2023: RMB544,629,000) were pledged to secure bank borrowings of the Group (note 49).

(ii) Lease liabilities

	2024 RMB'000	2023 RMB'000
Non-current	**932,053**	916,706
Current	**25,429**	37,952
	957,482	954,658

Amounts payable under lease liabilities

	2024 RMB'000	2023 RMB'000
Within one year	**25,429**	37,952
After one year but within two years	**27,892**	26,927
After two years but within five years	**80,465**	79,712
After five years	**823,696**	810,067
	957,482	954,658
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(25,429)**	(37,952)
Amount due for settlement after 12 months	**932,053**	916,706

During the year ended 31 December 2024, the Group entered into new lease agreements in respect of offices premises and land use right and recognised lease liabilities of approximately RMB64,705,000 (2023: RMB964,951,000).

(iii) Amounts recongised in profit or loss

	Year ended	
	31 December 2024 RMB'000	31 December 2023 RMB'000
Interest expense on lease liabilities	**44,700**	30,955

17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2024, the total cash outflow for leases amounted to approximately RMB106,364,000 (2023: RMB109,526,000).

Restrictions or covenants on leases

As at 31 December 2024, lease liabilities of RMB957,482,000 are recognised with related right-of-use assets of RMB992,183,000, (2023: lease liabilities of RMB954,658,000 and related right-of-use assets of RMB989,462,000). The lease agreements do not impose any covenants and restriction.

18. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2023	58,348
Additions	15,561
At 31 December 2023 and 1 January 2024	73,909
Additions	8,185
At 31 December 2024	82,094
ACCUMULATED AMORTISATION	
At 1 January 2023	24,057
Provided for the year	6,945
At 31 December 2023 and 1 January 2024	31,002
Provided for the year	5,740
At 31 December 2024	36,742
CARRYING VALUES	
At 31 December 2024	45,352
At 31 December 2023	42,907

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

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

19. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	**44,493**
ACCUMULATED DEPRECIATION	
At 1 January 2023	**3,447**
Provided for the year	**2,887**
At 31 December 2023 and 1 January 2024	**6,334**
Provided for the year	**2,861**
At 31 December 2024	**9,195**
CARRYING VALUES	
At 31 December 2024	**35,298**
At 31 December 2023	**38,159**

The fair value of the Group's investment properties as at 31 December 2024 was approximately RMB42,380,000 (2023: RMB43,060,000). 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 2024 and 2023 of the investment properties of the Group were at Level 3. There were no transfers between levels of fair value hierarchy during the year.

19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2024 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2024 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	RMB6,424,000 (2023: RMB6,780,000)	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	RMB35,956,000 (2023: RMB36,280,000)	Income approach – by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value

20. INTERESTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Costs of investments in associates	**5,829,094**	6,028,733
Share of profits and other comprehensive income, net of dividends received	**1,489,619**	537,025
	7,318,713	6,565,758
Loans to associates	**5,903,718**	4,468,674
	13,222,431	11,034,432

As at 31 December 2024, the loan to an associate of USD380,920,000, equivalent to approximately RMB2,738,263,000 (2023: RMB2,697,999,000), is unsecured, carried interest at Secured Overnight Financing Rate ("SOFR") + 3% per annum and no fixed term for repayment.

The remaining loans to associates of US$424,818,000, equivalent to approximately RMB3,165,455,000 (2023: US$250,000,000, equivalent to approximately RMB1,770,675,000) is unsecured, interest bearing at SOFR + 5% per annum and no fixed term for repayment.

During the year ended 31 December 2023, the Group established Weiqiao Guoke Zhixing (Shandong) Equipment Technology Co., Ltd. ("Weiqiao Guoke") * 魏橋國科智行(山東)裝備科技有限公司 and contributed an amount of approximately RMB672,000,000 which represents an equity interest of 33.3%. The Group subsequently disposed the associate for a consideration of RMB678,990,000 to a limited partnership which the Group invested due to change of investment strategy and resulting a gain on disposal of RMB21,053,000.

20. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2024, the Group made contributions to various associates with an aggregate amount of approximately RMB14,498,000 (2023: RMB152,609,000).

As at 31 December 2024 and 2023, 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
					2024	2023	2024	2023	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	22.5%	22.5%	22.5%	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP")	Incorporated	Guinea	Guinea	Ordinary	22.5%	22.5%	22.5%	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	25%	25%	25%	25%	Trading of bauxite
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	25%	25%	25%	25%	Trading of bauxite
Shandong Suotong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material") * 山東索通創新炭材料有限公司 (formerly known as Shandong Innovation Carbon New Material Co., Ltd.)	Incorporated	PRC	PRC	Ordinary	15.21%	20%	15.21%	20%	Trading of carbon
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy") 鄒平濱能能源科技有限公司	Incorporated	PRC	PRC	Ordinary	37.5%	37.5%	37.5%	37.5%	Trading of electricity
Lightweight (Shandong) Investment Partnership (Limited Partnership) * ("Lightweight Partnership") 輕量化(山東)投資合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	49.5%	49.5%	49.5%	49.5%	Investment holding

* The English translation is for reference only.

20. INTERESTS IN ASSOCIATES (Continued)

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

ABM

	2024 **RMB'000**	2023 RMB'000
Current assets	**9,270,218**	10,950,481
Non-current assets	**7**	492
Current liabilities	**(940,420)**	(2,052,094)
Non-current liabilities	**(8,137,921)**	(8,188,415)
Revenue	**9,177,667**	15,751,187
Profit for the year	**2,073,172**	3,593,184
Other comprehensive income for the year	**5,444**	70,008
Total comprehensive income for the year	**2,078,616**	3,663,192
Dividends received from the associate during the year	**(649,299)**	(2,843,867)
Elimination of unrealised profits	**(11,419)**	(64,409)

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

	2024 **RMB'000**	2023 RMB'000
Net assets of the associate	**191,884**	710,464
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**47,971**	177,616

Binneng Energy

	2024 **RMB'000**	2023 RMB'000
Non-current assets	**11,703,369**	11,724,817
Current assets	**14,581,448**	14,394,972
Non-current liabilities	**(5,747,900)**	(5,957,650)
Current liabilities	**(4,987,456)**	(6,325,643)
Revenue	**14,368,927**	14,343,389
Profit for the year and total comprehensive income for the year	**1,712,965**	862,861
Elimination of unrealised profits	**2,723**	(18,418)

20. INTERESTS IN ASSOCIATES (Continued)

Binneng Energy (Continued)

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

	2024 RMB'000	2023 RMB'000
Net assets of the associate	**15,549,461**	13,836,496
Proportion of the Group's ownership interest in Binneng Energy	**37.5%**	37.5%
Carrying amount of the Group's interest in Binneng Energy	**5,831,048**	5,188,686

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:

	2024 RMB'000	2023 RMB'000
The Group's share of profit	**608,506**	62,745
The Group's share of other comprehensive expense	**(61,596)**	5,205
The Group's share of total comprehensive income	**546,910**	67,950
Dividends received from the associate during the year	**(107,033)**	–
Elimination of realised profits	**(2,008)**	(8,528)

	2024 RMB'000	2023 RMB'000
Carrying amount of the Group's interests in immaterial associates	**1,439,694**	1,199,456

21. LOAN TO AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Non-current portion		
Loan to an associate	**2,000,000**	2,000,000

The loan to an associate was secured by certain plant and equipment held by the respective associate, bearing interest at 6% (2023: 6%) per annum and repayable in June 2028 (2023: June 2025). During the year ended 31 December 2024, the Group renewed the loan to an associate of RMB2,000,000,000 for another 3 years bearing the interest rate at 6% per annum.

22. GOODWILL

	2024 RMB'000	2023 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
IMPAIRMENT		
At beginning and the end of the financial year	**1,656,233**	1,656,233
CARRYING AMOUNT		
At 31 December	**278,224**	278,224

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

Impairment test on goodwill

For the purposes of impairment testing, the carrying amount of goodwill has been allocated to the following CGUs:

	2024 RMB'000	2023 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Binzhou Municipal Xinhe New Material Co., Ltd* ("Beihai Xinhe") 濱州市北海信和新材料有限公司)	**–**	–
Manufacture and selling of aluminum products in Binzhou, the PRC (Binzhou Hongnuo New Material)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**197,806**	197,806
	278,224	278,224

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

* The English translation is for reference only.

22. GOODWILL (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Binzhou Hongnuo New Material

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a pre-tax discount rate of 21.33% (2023 21.33%). Binzhou Hongnuo New Material's cash flows beyond the 5-year period are extrapolated using a 3% growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry.

Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Binzhou Hongnuo New Material to exceed the aggregate recoverable amount of Binzhou Honguo New Material.

During the years ended 31 December 2024 and 2023, 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 2024 and 2023 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 2024 and 2023, no impairment loss was recongised in relation to goodwill arising on acquisition of Hongchuang.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	2024 RMB'000	2023 RMB'000
Equity instruments as at FVTOCI		
– Listed	**1,060,450**	1,306,966
– Unlisted	**84,360**	94,412
	1,144,810	1,401,378

The fair values of these investments are disclosed in note 46(g).

The investments in listed equity securities are as follows:

Name of listed equity securities	Place of listing	Fair value 2024 RMB'000	Fair value 2023 RMB'000
Weihai City Commercial Bank Co., Ltd	Hong Kong	**736,124**	708,065
Bank of Jinzhou	Hong Kong	**–**	169,593
Innovation New Material Technology Co., Ltd.	Shanghai	**167,215**	218,459
Thunder Software Technology Co., Ltd.	Shenzhen	**156,128**	209,866
Others	Hong Kong	**983**	983
		1,060,450	1,306,966

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.

During the year ended 31 December 2024, the Group has disposed a listed equity security at consideration of RMB166,485,000 (2023: nil) which approximate its fair value.

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

	2024 RMB'000	2023 RMB'000
Financial assets at FVTPL		
– Limited partnerships	**11,088,589**	11,725,159

The fair values of these investments are disclosed in note 46(g).

The directors of the Company consider that the Group does not have any control nor significant influence to affect the variable returns through its investment in those enterprises or similar activities.

25. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**24,354,016**	22,371,825
Work in progress	**10,345,714**	9,321,631
Finished goods	**2,644,273**	2,264,999
	37,344,003	33,958,455

During the year ended 31 December 2024, write-down of inventories of approximately RMB261,254,000 (2023: RMB126,282,000) has been recognised and included in other expenses.

During the year ended 31 December 2024, inventories previously impaired were sold or used. As a result, a reversal of provision of approximately RMB170,103,000 (2023: RMB143,953,000) has been recognised and included in cost of sales.

During the year ended 31 December 2023, a reversal of provision of approximately RMB8,195,000 (2024: nil) has been recognised and included in other income and gains due to increase of net realisable value of certain inventories in subsequent period.

26. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**9,783,057**	5,496,090
Less: allowance for impairment losses	**(9,134)**	(7,339)
	9,773,923	5,488,751

As at 1 January 2023, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB4,617,414,000.

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

	2024 RMB'000	2023 RMB'000
Within 3 months	**6,583,327**	4,883,108
3 to 12 months	**3,187,646**	601,815
12 to 24 months	**2,950**	3,828
	9,773,923	5,488,751

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.

26. TRADE RECEIVABLES (Continued)

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant. As at 31 December 2024, lifetime ECL of approximately RMB9,134,000 (2023: RMB7,339,000) was made in respect of trade receivables with gross amount of RMB9,134,000 (2023: RMB7,339,000) as they are determined to be credit-impaired which aged over 3 years. For the remaining balance of approximately RMB9,773,923,000 (2023: RMB5,488,751,000), 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 2024

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	**0%**	**0%**	**0.002%**	**0.077%**	**100%**	**100%**	
Gross carrying amount (RMB'000)	**9,498,523**	**165,425**	**107,025**	**2,950**	**1,795**	**7,339**	**9,783,057**
Lifetime ECL (RMB'000)	**–**	**–**	**–**	**–**	**(1,795)**	**(7,339)**	**(9,134)**
Net amount (RMB'000)	**9,498,523**	**165,425**	**107,025**	**2,950**	**–**	**–**	**9,773,923**

For the year ended 31 December 2023

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0.024%	0.134%	0.219%	100%	100%	
Gross carrying amount (RMB'000)	5,277,980	134,324	72,619	3,828	620	6,719	5,496,090
Lifetime ECL (RMB'000)	–	–	–	–	(620)	(6,719)	(7,339)
Net amount (RMB'000)	5,277,980	134,324	72,619	3,828	–	–	5,488,751

The movement in the allowance for impairment of trade receivables is set out below:

	2024 RMB'000	2023 RMB'000
At 1 January	**7,339**	6,719
Impairment loss recognised	**1,795**	620
At 31 December	**9,134**	7,339

27. BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Bills receivables	**6,602,454**	4,977,642

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

	2024 RMB'000	2023 RMB'000
Within 3 months	**3,248,513**	3,292,402
3 to 6 months	**3,334,259**	1,684,399
Over 6 months	**19,682**	841
	6,602,454	4,977,642

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 2024 and 2023.

28. PREPAYMENTS AND OTHER RECEIVABLES

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

	2024 RMB'000	2023 RMB'000
Prepayments to suppliers	**4,322,776**	4,149,075
Prepayments to an associate	**–**	929,989
Value-added tax recoverable	**2,375,154**	2,275,719
Receivables arising from dealing with futures	**140,364**	404,455
Factoring receivables (note (i))	**378,970**	582,210
Interest receivables	**488,900**	300,507
Others	**128,973**	129,266
	7,835,137	8,771,221
Less: allowance for impairment losses	**(23,426)**	(23,417)
	7,811,711	8,747,804

Note:

(i) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.

28. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows:

For the year ended 31 December 2024

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	23,133	(23,133)	–
Other receivables – Performing	1,114,074	(293)	1,113,781
	1,137,207	(23,426)	1,113,781

For the year ended 31 December 2023

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	23,116	(23,116)	–
Other receivables – Performing	1,393,322	(301)	1,393,021
	1,416,438	(23,417)	1,393,021

The movement in the impairment allowance for other receivables during the year are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	23,417	27,020
Reversal of impairment loss	–	(3,603)
Impairment loss recognised	9	–
At 31 December	23,426	23,417

29. FINANCIAL ASSET AT AMORTISED COST

	2024 RMB'000	2023 RMB'000
Financial asset at amortised cost		
Collective investment trust B	**2,494,000**	2,494,000

The collective investment trust B represents asset income trust with 2,494,000,000 units at RMB1 per unit issued by CITIC Trust and will be matured on 13 January 2028. The asset income trust carries fixed interest rate of 5.78% per annum.

30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**44,770,241**	31,721,122
Restricted bank deposits	**2,797,477**	1,826,579
	47,567,718	33,547,701
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,687,494)**	(1,295,834)
– pledged for issuance of letter of credit	**(800,193)**	(513,871)
– pledged for guarantee issued	**(309,790)**	(16,874)
Cash and cash equivalents	**44,770,241**	31,721,122

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 0.01% to 2.50% (2023: 0.05% to 1.71%) 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 2.75% (2023: 0.05% to 1.76%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 46(d).

31. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2024 **RMB'000**	2023 RMB'000
Changes in fair values of arising from:		
– financial assets at FVTPL	**(636,570)**	–
– derivatives component of convertible bonds (note 40)	**(1,555,892)**	(49,044)
	(2,192,462)	(49,044)

32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 2 December 2024, Binzhou Green Energy Thermal Power Co., Ltd. * ("Green Energy") 濱州綠能熱電有限公司, a subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to dispose of certain of plant and machinery and equipment in Binzhou City Huimin District, at a consideration of RMB400,000,000.

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

The property, plant and equipment of approximately RMB353,982,000 as at 31 December 2024 has been presented separately in the consolidated statement of financial position.

33. TRADE AND BILLS PAYABLES

	2024 **RMB'000**	2023 RMB'000
Trade payables to third parties	**11,863,104**	10,764,251
Trade payables to associates	**2,602,869**	648,596
Trade payables to related parties	**101,479**	103,167
	14,567,452	11,516,014
Bills payables (Note)	**363,063**	132,262
	14,930,515	11,648,276

Note: The amounts relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2024 **RMB'000**	2023 RMB'000
Within 6 months	**13,685,014**	10,856,474
6 to 12 months	**566,827**	400,421
1 to 2 years	**295,197**	229,088
More than 2 years	**20,414**	30,031
	14,567,452	11,516,014

The trade payables are non-interest bearing and are normally settled on a credit term of six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Bills payables were bills of acceptance with maturity of less than one year.

34. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Payables on property, plant and equipment	**5,967,286**	4,500,509
Retention payables	**2,117,765**	1,886,383
Accrued payroll and welfare (note (i))	**1,179,500**	972,811
Contract liabilities (note (ii))	**1,868,466**	1,203,660
Dividend payables	**6**	6
Interest payable	**582,358**	547,652
Other taxes payables	**927,849**	921,970
Others	**570,235**	570,306
	13,213,465	10,603,297

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2024 were accrued directors payroll and welfare of approximately RMB3,950,000 (2023: RMB4,532,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) Contract liabilities include advances received to deliver goods. As at 1 January 2023, contract liabilities amounted to RMB1,757,470,000.

Revenue recognised during the year ended 31 December 2024 that was included in the contract liabilities at the beginning of the year is approximately RMB1,203,660,000 (2023: RMB1,757,470,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior years.

35. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Current		
Secured bank borrowings (note (iii))	**10,254,860**	11,343,001
Unsecured bank borrowings (note (i))	**23,913,342**	19,146,207
	34,168,202	30,489,208
Non-current		
Secured bank borrowings (note (iii))	**5,292,796**	1,194,862
Unsecured bank borrowings (note (i))	**8,841,431**	7,427,046
	14,134,227	8,621,908
	48,302,429	39,111,116

35. BANK BORROWINGS (Continued)

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

	2024 RMB'000	2023 RMB'000
Within one year	**34,168,202**	30,489,208
In the second year	**8,099,946**	2,219,862
In the third to fifth years, inclusive	**4,923,512**	4,381,137
Over fifth years	**1,110,769**	2,020,909
	48,302,429	39,111,116

	2024 RMB'000	2023 RMB'000
Fixed-rate borrowings	**31,079,784**	28,499,674
Variable-rate borrowings	**17,222,645**	10,611,442
	48,302,429	39,111,116

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2024	2023
Effective interest rate:		
Fixed-rate borrowings	**3.50% to 7.50%**	4.35% to 7.50%
Variable-rate borrowings	**3.00% to 8.00%**	4.00% to 8.25%

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

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2024 RMB'000	2023 RMB'000
US$	**504,134**	998,590
HK$	**1,627,572**	31,299

35. BANK BORROWINGS (Continued)

Notes:

(i) Unsecured bank borrowings of approximately RMB6,600,000,000 (2023: RMB3,600,000,000) are guaranteed by related parties and set out in note 51(c).

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

	2024	2023
	RMB'000	RMB'000
Floating rate	**32,630,170**	31,775,345

(iii) Secured bank borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 16 and 17 respectively.

36. OTHER FINANCIAL LIABILITY

On 21 December 2023, Shandong Hongtuo Industrial Company Limited ("Shandong Hongtuo") * 山東宏拓實業有限公司, a subsidiary of the Company, entered into various capital contribution agreements with the investors for the capital contributions (at an aggregate cash consideration of RMB2,962,600,000. Details of the capital contributions are set out in the Company's announcements dated 21 December 2023.

Pursuant to the capital contributions from investors as mentioned above, a redemption right is granted by Company to each investor.

Each investor shall have the right to request Shandong Weiqiao Aluminum & Power Co., Ltd.* ("Shandong Weiqiao") 山東魏橋鋁電有限公司, Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao"), which are the subsidiaries of the Company, or other related parties designated by Shandong Weiqiao other than the Shandong Hongtuo and Shandong Hongqiao (one or more parties, singly or collectively, the "Repurchase Obligor(s)") to repurchase all of their equity interests in Shandong Hongtuo at the redemption price, if any of the triggering events occurs during the redemption period, which commenced from the date of the completion of each capital contribution to or before 31 December 2026.

The key triggering events included:

(i) Shandong Hongtuo fails to conduct an initial public offering and the listing of its securities on the Stock Exchange in the PRC after 36 months of capital contribution, unless such failure was a result of non-cooperation by the investors or any force majeure events as set out in the capital contributions agreements; and

(ii) Fails to fulfill dividend distribution policy (i.e. 30% of distributable profit) and anti-dilution compensation (i.e. subscription price for new registered capital cannot lower than this capital contributions) as set out in the capital contributions agreements.

The redemption price was the principal amount plus accrued interest, being 6% per annum calculated from the date of the completion of each capital contribution to the date of receipt of the redemption price from each investors, less any dividends income received by each investor as the shareholders of Shandong Hongtuo.

* The English translation is for reference only.

36. OTHER FINANCIAL LIABILITY (Continued)

In the opinion of the directors of the Company, except for the success listing of Shandong Hongtuo, the Group has the control of all other triggering events and does not expect redemption will occur within next twelve months from the end of the reporting period.

The redemption right constituted a contract that contains an obligation for the Group to repurchase the equity instruments of the subsidiaries of the Company gives rise to a redemption financial liability recognised at the present value of the redemption price, being RMB2,962,600,000, and subsequently measured at amortised cost. The movement in the redemption financial liability are as follow:

	2024 RMB'000	2023 RMB'000
At 1 January	**2,965,195**	–
Capital contribution from the investor	**–**	2,962,600
Interest expense (note 9)	**177,756**	2,595
Dividend paid	**(411,996)**	–
At 31 December	**2,730,955**	2,965,195

37. SHORT-TERM DEBENTURES AND NOTES

	2024 RMB'000	2023 RMB'000
Short-term debentures and notes	**3,000,000**	7,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2024 and 2023 are set out as follows:

Debentures	**Date of issue**	**Principal amount**		**Interest rate**	**Date of maturity**
		2024 RMB'000	2023 RMB'000		
Short-term debentures F	16 February 2023	**–**	1,000,000	4.60%	16 February 2024
Short-term debentures G	10 March 2023	**–**	1,000,000	4.50%	10 March 2024
Short-term debentures H	24 May 2023	**–**	1,000,000	4.18%	24 May 2024
Short-term debentures I	12 July 2023	**–**	1,000,000	4.47%	12 July 2024
Short-term debentures J	23 August 2023	**–**	1,000,000	4.20%	23 August 2024
Short-term debentures K	22 September 2023	**–**	1,000,000	4.21%	22 September 2024
Short-term debentures L	28 November 2023	**–**	1,000,000	4.00%	28 November 2024
Short-term debentures M	11 January 2024	**1,000,000**	–	3.30%	11 January 2025
Short-term debentures N	6 February 2024	**1,000,000**	–	3.19%	6 February 2025
Short-term debentures O	17 May 2024	**1,000,000**	–	2.80%	17 May 2025

The short-term debentures and notes were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investors ("NAFMII"). Interest is payable annually.

38. MEDIUM-TERM DEBENTURES AND BONDS

	2024 RMB'000	2023 RMB'000
Amounts due within one year	**5,781,304**	8,116,930
Amounts due after one year	**9,553,655**	3,206,332
	15,334,959	11,323,262

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2024 and 2023 are set out as follows:

Debentures	Date of issue	Principal amount 2024 RMB'000	Principal amount 2023 RMB'000	Coupon interest rate	Effective interest rate	Date of maturity
Unlisted						
Medium-term debentures Q	14 January 2022	**–**	1,000,000	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	**–**	1,000,000	4.50%	4.80%	18 March 2024
Medium-term debentures S	30 March 2023	**300,000**	300,000	4.82%	4.82%	30 March 2025
Medium-term debentures T	13 April 2023	**1,000,000**	1,000,000	4.96%	4.82%	13 April 2025
Medium-term debentures U	16 June 2023	**600,000**	600,000	5.00%	4.82%	16 June 2025
Medium-term debentures V	28 July 2023	**720,000**	720,000	4.96%	4.82%	28 July 2025
Medium-term debentures W	21 August 2023	**300,000**	300,000	4.95%	4.82%	21 August 2025
Medium-term debentures X	26 December 2023	**300,000**	300,000	4.82%	4.82%	26 December 2025
Medium-term debentures Y	19 January 2024	**1,000,000**	–	4.00%	4.31%	19 January 2026
Medium-term debentures Z	1 February 2024	**1,000,000**	–	3.78%	4.10%	1 February 2026
Medium-term debentures AA	4 March 2024	**1,000,000**	–	3.60%	3.92%	4 March 2026
Medium-term debentures AB	22 March 2024	**1,000,000**	–	3.50%	3.91%	22 March 2026
Medium-term debentures AC	12 April 2024	**1,000,000**	–	3.50%	3.82%	12 April 2026
Medium-term debentures AD	14 June 2024	**1,000,000**	–	2.60%	2.91%	14 June 2026
Medium-term debentures AE	27 June 2024	**500,000**	–	2.57%	2.88%	27 June 2026
Medium-term debentures AF	3 July 2024	**500,000**	–	3.08%	3.41%	3 July 2027
Medium-term debentures AG	11 July 2024	**300,000**	–	3.07%	3.36%	11 July 2027
Medium-term debentures AH	26 July 2024	**1,000,000**	–	3.00%	3.29%	26 July 2027
Medium-term debentures AI	8 August 2024	**1,000,000**	–	2.80%	3.12%	8 August 2027
Medium-term debentures AJ	13 September 2024	**300,000**	–	2.95%	3.28%	13 September 2027
Listed						
Enterprise bonds L	26 March 2019	**–**	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds N	11 June 2021	**–**	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	**–**	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	**1,000,000**	1,000,000	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	**1,000,000**	1,000,000	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	**620,000**	620,000	4.00%	4.12%	3 November 2027

38. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

According to the terms and conditions of enterprise bonds R, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest at the end of each year and the Group has a right to adjust the interest rate of the enterprise bonds. As a result, enterprise bonds R was classified as current liability as at 31 December 2024.

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate.

Interest is payable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

39. GUARANTEED NOTES

	2024 **RMB'000**	2023 RMB'000
Amounts shown under current liabilities	**2,154,409**	3,511,821

2024 Guaranteed Notes

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,230,050,000) (the "2024 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will be matured on 8 June 2024. The 2024 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2024 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2024 Guaranteed Notes may/will be redeemed by the Company and select one of the calculation of redemption price set forth below:

Period	**Redemption price**
Prior to 8 June 2024	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 8 June 2024	106.25% of the principal amount, plus accrued and unpaid interest (note iii)

39. GUARANTEED NOTES (Continued)

2024 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 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.

2025 Guaranteed Notes

On 25 March 2024, the Company issued 7.75% guaranteed notes with the aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,131,770,000) (the “2025 Guaranteed Notes”) which were guaranteed by certain subsidiaries of the Group. The 2025 Guaranteed Notes will be matured on 27 March 2025. The 2025 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2025 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2025 Guaranteed Notes may/will be redeemed by the Company and select one of the calculation of redemption price set forth below:

Period	Redemption price
Prior to 8 March 2025	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 March 2025	107.75% of the principal amount, plus accrued and unpaid interest (note iii)

39. GUARANTEED NOTES (Continued)

2025 Guaranteed Notes (Continued)

Notes:

(iv) 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 2025 Guaranteed Notes on 8 March 2025, plus all required remaining scheduled interest payments due on the 2025 Guaranteed Notes through 8 March 2025 (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.

(v) At any time prior to 8 March 2025, the Company may at its option redeem the 2025 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.

(vi) At any time prior to 8 March 2025, the Company may redeem up to 35% of the 2025 Guaranteed Notes, at a redemption price of 107.75% 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 2025 Guaranteed Notes on date of issuance was net of issue expenses of US$2,400,000 (equivalent to approximately RMB17,055,000) and the effective interest rate of the 2024 Guaranteed Notes is 8.55% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition and year end date.

40. CONVERTIBLE BONDS

On 25 January 2021, the Company issued a new convertible bonds ("2021 CBs") bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US$300,000,000. The 2021 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.91 per share with fixed exchange rate of HK$7.7530 equal to US$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

As a result of the Company's declaration of dividend, the conversion price of the 2021 CBs was adjusted to HK$6.14 per share (31 December 2023: HK$6.82) with effect from 25 November 2024. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2024, the principal amount of the 2021 CBs that remained outstanding amounted to US$300,000,000 (2023: US$300,000,000) of which a maximum of 378,811,074 (2023: 341,041,055) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022, 21 November 2022, 31 May 2023, 24 November 2023, 30 May 2024 and 23 November 2024.

40. CONVERTIBLE BONDS (Continued)

The movements of the liability and derivatives components of 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2021 CBs RMB'000	Derivatives component of 2021 CBs RMB'000	Total RMB'000
As at 1 January 2023	1,830,527	457,010	2,287,537
Changes in fair values	–	49,044	49,044
Effective interest expenses	182,338	–	182,338
Interest paid	(54,813)	–	(54,813)
Exchange translation	5,515	15,865	21,380
31 December 2023	1,963,567	521,919	2,485,486
Changes in fair values	**–**	**1,555,892**	**1,555,892**
Effective interest expenses	**194,812**	**–**	**194,812**
Interest paid	**(113,978)**	**–**	**(113,978)**
Exchange translation	**48,834**	**31,454**	**80,288**
31 December 2024	**2,093,235**	**2,109,265**	**4,202,500**

No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs for both years.

At 31 December 2024 and 2023, the fair value of the derivative component was valued by Asia-Pacific Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair value of the derivative component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the binomial option pricing model. The changes in fair value of the derivative component of convertible bonds were recognised in the profit or loss. The inputs into the model were as follows:

	2021 CBs	
	At 31 December 2024	At 31 December 2023
Share price	**HK$11.76**	HK$6.39
Conversion price	**HK$6.14**	HK$6.82
Expected volatility	**46.35%**	46.32%
Expected life	**1.07 years**	2.07 years
Risk free rate	**4.17%**	4.12%
Expected dividend yield	**4.01%**	3.92%

41. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for the financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**2,621,516**	2,990,023
Deferred tax liabilities	**(488,057)**	(363,704)
	2,133,459	2,626,319

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	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 2023	120,876	689,066	(358,097)	1,680,081	98,578	6,193	(165,698)	10,403	2,081,402
(Charged) credited to profit or loss	(27,279)	41,658	87,609	378,675	(11,225)	1,024	72,482	1,973	544,917
At 31 December 2023 and 1 January 2024	**93,597**	**730,724**	**(270,488)**	**2,058,756**	**87,353**	**7,217**	**(93,216)**	**12,376**	**2,626,319**
(Charged) credited to profit or loss	**(26,926)**	**(155,620)**	**(177,023)**	**(193,192)**	**(10,964)**	**16,008**	**52,670**	**2,187**	**(492,860)**
At 31 December 2024	**66,671**	**575,104**	**(447,511)**	**1,865,564**	**76,389**	**23,225**	**(40,546)**	**14,563**	**2,133,459**

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,399,646,000 (2023: RMB4,809,657,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,300,416,000 (2023: RMB2,922,896,000) of such losses that will expire within next five years. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB2,099,230,000 (2023: RMB2,232,501,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,470,938,000 (2023: RMB1,664,634,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB628,292,000 (2023: RMB567,867,000) 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 RMB86,059,191,000 (2023: RMB85,002,136,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

42. DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Government grants related to property, plant and equipment		
– Current liabilities	**35,039**	35,290
– Non-current liabilities	**1,527,538**	1,475,183
	1,562,577	1,510,473

As at 31 December 2024, the Group received government subsidies of approximately RMB95,960,000 (2023: RMB724,395,000) towards the cost of certain construction projects. The amount has been treated as deferred income and is transferred to income over the useful lives of relevant plant and machineries. This policy has resulted in a credit to income in the current year of approximately RMB43,856,000 (2023: RMB44,898,000).

43. SHARE CAPITAL

	Number of shares		Share Capital	
	2024	2023	**2024** **US$**	2023 US$
Authorised:				
Ordinary shares of US$0.01 each	**20,000,000,000**	20,000,000,000	**200,000,000**	200,000,000

	2024	2023	2024 US$	2023 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**9,475,538,425**	9,475,538,425	**94,755,384**	94,755,384

	Number of shares	Share Capital RMB'000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	**9,475,538,425**	**618,881**

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2023: nil).

44. RESERVES

(a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong Weiqiao Chuangye Group Company Limited* ("Weiqiao Chuangye") 山東魏橋創業集團有限公司 in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; (v) share of capital reserve of an associate and subsidiaries from Innovation Carbon New Material; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(b) Statutory surplus reserve

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

(c) Translation reserve

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

(d) Investment revaluation reserve

Investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

* The English translation is for reference only.

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 35, 37, 38, 39 and 40, and net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 43, share premium and reserves in the consolidated statement of financial position.

Management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, raise of new capital and share buy-backs as well as the issuance of new debt.

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 **RMB'000**	2023 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**75,455,594**	54,369,789
Financial assets at FVTPL	**11,088,589**	11,725,159
Financial assets at FVTOCI	**1,144,810**	1,401,378
Financial liabilities		
Financial liabilities at amortised cost	**98,963,652**	86,000,904
Financial liabilities at FVTPL	**2,109,265**	521,919

46. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables, financial assets at FVTPL, restricted bank deposits, cash and cash equivalents, financial asset at amortised cost, financial assets at FVTOCI, loans to associates, trade and bills payables, other payables and accruals, other financial liability, bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

(i) Currency risk

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

	Exposure to foreign currencies					
	2024			2023		
	USD RMB'000	**HK$ RMB'000**	**IDR RMB'000**	USD RMB'000	HK$ RMB'000	IDR RMB'000
Other receivables	**143,136**	**–**	**–**	294,891	–	–
Cash and cash equivalents	**3,249,948**	**111,988**	**72,265**	1,024,492	33,189	69,430
Trade payables	**2,586,876**	**–**	**–**	78,445	–	–
Other payables and accruals	**–**	**7,408**	**–**	–	–	–
Bank borrowings	**504,134**	**1,627,572**	**–**	998,590	31,299	–
Liability component of convertible bonds	**2,109,265**	**–**	**–**	1,963,567	–	–
Guaranteed notes	**2,154,409**	**–**	**–**	3,511,821	–	–

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 3% (2023: 3%) increase and decrease in RMB against the relevant foreign currencies. 3% (2023: 3%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit where RMB strengthen 3% (2023: 3%) against the relevant currency. For a 3% (2023: 3%) 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.

	2024 **RMB'000**	2023 RMB'000
Effect on post-tax profit:		
US$	**99,144**	133,538
HK$	**40,070**	(47)
IDR	**(1,691)**	(1,625)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, other financial liability, liability component of convertible bonds, short-term debentures and notes, medium-term debentures and bonds and guaranteed notes. The Group aims at keeping borrowings at fixed rates.

The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and variable-rate bank borrowings, and mainly concentrated on the fluctuation of interest rate quoted from the CFETS, PBOC and SOFR on the bank borrowings.

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

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period were outstanding for the whole year. A 25 basis points (2023: 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 (2023: 25 basis points) higher/lower and all other variables were held constant:

	2024 **RMB'000**	2023 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(48,171)**	(36,988)
As a result of decrease in interest rate	**48,171**	36,988

This is mainly attributable to the Group's exposure to interest rates on its interest bearing restricted bank deposits and bank balances and variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is concentrated on equity instruments operating in bank industry, industrial metals and mining industry and technology industry sector quoted in the Stock Exchange. For unquoted equity security designated as FVTOCI, the investee is operating in semiconductor industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the quoted equity instrument had been 10% (2023: 10%) higher/lower, other comprehensive income for the year ended 31 December 2024 would increase/decrease by approximately RMB106,045,000 (2023: RMB130,697,000) as a result of the changes in fair value of financial assets at FVTOCI.

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

If the P/B multiples of the unquoted equity instrument had been 10% (2023: 10%) higher/lower, other comprehensive income for the year ended 31 December 2024 would increase/decrease by approximately RMB8,440,000 (2023: RMB9,441,000) 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 2024 and 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from loans to associates, financial asset at amortised cost, trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

Management considered loans to an associates to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The credit risk on liquid funds and financial assets at amortised cost are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables**	**Other financial assets**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2024

	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)	**9,783,057**	**(9,134)**	**9,773,923**
Bills receivables (note 2)	Performing	12-month ECL	**6,602,454**	**–**	**6,602,454**
Other receivables	Performing	12-month ECL	**1,114,074**	**(293)**	**1,113,781**
Other receivables	Default	Lifetime ECL – credit-impaired	**23,133**	**(23,133)**	**–**
Collective investment trust	Performing	12-month ECL	**2,494,000**	**–**	**2,494,000**
Restricted bank deposits	Performing	12-month ECL	**2,797,477**	**–**	**2,797,477**
Cash and cash equivalents	Performing	12-month ECL	**44,770,241**	**–**	**44,770,241**
Loans to associates (note 3)	Performing	12-month ECL	**7,903,718**	**–**	**7,903,718**
			75,488,154	**(32,560)**	**75,455,594**

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2023

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	5,496,090	(7,339)	5,488,751
Bills receivables (note 2)	Performing	12-month ECL	4,977,642	–	4,977,642
Other receivables	Performing	12-month ECL	1,393,322	(301)	1,393,021
Other receivables	Default	Lifetime ECL – credit-impaired	23,116	(23,116)	–
Collective investment trust	Performing	12-month ECL	2,494,000	–	2,494,000
Restricted bank deposits	Performing	12-month ECL	1,826,579	–	1,826,579
Cash and cash equivalents	Performing	12-month ECL	31,721,122	–	31,721,122
Loans to associates (note 3)	Performing	12-month ECL	6,468,674	–	6,468,674
			54,400,545	(30,756)	54,369,789

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.

2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.

3. For the loans to associates, the Group regularly monitors the business performance of the associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities, the collateral and the power to participate the relevant activities of these entities and thus the impairment provision recognised during the year was limited to 12-month ECL.

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 10% (2023: 11%) and 43% (2023: 41%) 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% (2023: 98%) of the total receivables as at 31 December 2024.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from the top major bank represented 9% (2023: 8%) of the total bills receivables as at 31 December 2024. In addition, the Group's bills receivables from the top five major banks represented 32% (2023: 28%) of the total bills receivables as at 31 December 2024.

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

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. Other than the cash generated from operating activities, the Group's management is responsible for obtaining funding from other sources, including guaranteed notes, convertible bonds, bank borrowings, medium-term debentures and bonds and issue of new shares. The management also monitors the recognisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

46. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	5.28%	25,015,920	3,361,236	2,652,119	1,053,047	32,082,322	31,079,784
Floating-rate bank borrowings	4.40%	9,407,746	5,672,115	2,421,909	227,749	17,729,519	17,222,645
Medium-term debentures and bonds	3.79%	6,345,737	6,638,638	3,152,706	-	16,137,081	15,334,959
Short-term debentures and notes	0.49%	3,014,738	-	-	-	3,014,738	3,000,000
Other financial liability	6.00%	-	-	3,080,623	-	3,080,623	2,730,955
Trade and bills payables	-	14,930,515	-	-	-	14,930,515	14,930,515
Other payables (exclude contract liabilities and other tax payables)	-	10,417,150	-	-	-	10,417,150	10,417,150
Guaranteed notes	7.75%	2,195,441	-	-	-	2,195,441	2,154,409
Convertible bonds	9.87%	109,749	2,098,278	-	-	2,208,027	2,093,235
		71,436,996	17,770,267	11,307,357	1,280,796	101,795,416	98,963,652
Lease liabilities		28,226	31,899	86,902	889,592	1,036,619	957,482

46. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	4.93	23,565,959	1,541,081	3,822,076	–	28,929,116	28,499,674
Floating-rate bank borrowings	4.89	6,929,832	817,421	1,137,273	2,027,894	10,912,420	10,611,442
Medium-term debentures and bonds	4.87	7,057,427	5,387,913	–	–	12,445,340	11,323,262
Short-term debentures and notes	2.13	7,149,248	–	–	–	7,149,248	7,000,000
Other financial liability	6.00	–	–	3,495,868	–	3,495,868	2,965,195
Trade and bills payables	–	11,648,276	–	–	–	11,648,276	11,648,276
Other payables (exclude contract liabilities and other tax payables)	–	8,477,667	–	–	–	8,477,667	8,477,667
Guaranteed notes	7.81	3,638,373	–	–	–	3,638,373	3,511,821
Convertible bonds	9.87	110,050	109,749	2,098,278	–	2,318,077	1,963,567
		68,576,832	7,856,164	10,553,495	2,027,894	89,014,385	86,000,904
Lease liabilities	6.33	44,997	30,487	95,654	858,671	1,029,809	954,658

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

During the year ended 31 December 2023, the Group's bank borrowing of RMB4,590,811,000 which carried interest at 6-months USD LIBOR was transitioned to SOFR. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

During the year ended 31 December 2023, the Group's loan to WSCR of RMB1,044,690,000 which carried interest at 5% above 3-months USD LIBOR was transitioned to SOFR. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

46. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2024			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL				
Limited partnerships	**–**	**–**	**11,088,589**	**11,088,589**
Financial assets at FVTOCI				
Unlisted equity instruments	**–**	**–**	**84,360**	**84,360**
Listed equity instruments	**1,060,450**	**–**	**–**	**1,060,450**
	1,060,450	**–**	**84,360**	**1,144,810**
Financial liabilities at FVTPL				
Derivative component of convertible bonds	**–**	**–**	**2,109,265**	**2,109,265**

	31 December 2023			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Limited partnerships	–	–	11,725,159	11,725,159
Financial assets at FVTOCI				
Unlisted equity instruments	–	–	94,412	94,412
Listed equity instruments	1,306,966	–	–	1,306,966
	1,306,966	–	94,412	1,401,378
Financial liabilities at FVTPL				
Derivative component of convertible bonds	–	–	521,919	521,919

There were no transfers between levels of fair value hierarchy in both years.

46. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31.12.2024 RMB'000	Fair value as at 31.12.2023 RMB'000	Valuation technique and key inputs
Financial asset at FVTOCI – listed equity instrument	Level 1	**1,060,450**	1,306,966	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	**84,360**	94,412	Market approach – Based on P/B multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Financial asset at FVTPL – limited partnerships	Level 3	**11,088,589**	11,725,159	Market approach – Based on P/B or P/S multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B or P/S ratio, the higher the fair value) Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate (Key unobservable inputs: the higher the discount rate, the lower the fair value)
Derivative component of convertible bonds	Level 3	**2,109,265**	521,919	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 46.32% (2022: 42.46%) (The higher the volatility, the higher the fair value)

46. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:

	Limited partnerships RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity instrument RMB'000
At 1 January 2023	–	(457,010)	100,000
Total gains (losses)			
– in profit or loss	–	(49,044)	–
– in other comprehensive income	–	–	(5,588)
Transfer from prepayment	2,500,000	–	–
Purchase	9,225,159	–	–
Exchange difference	–	(15,865)	–
At 31 December 2023 and 1 January 2024	11,725,159	(521,919)	94,412
Total gains (losses)			
– in profit or loss	(636,570)	(1,555,892)	–
– in other comprehensive income	–	–	(10,052)
Exchange difference	–	(31,454)	–
At 31 December 2024	11,088,589	(2,109,265)	84,360

46. FINANCIAL INSTRUMENTS (Continued)

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

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts.

(h) Transfers of financial assets

The following were the Group's financial assets transferred to suppliers by endorsing those bills receivables on a full recourse basis. As the Group has retained the significant risks and rewards which include default risks, relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables and other payables in the consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	2024 **RMB'000**	2023 RMB'000
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**6,090,027**	3,891,534
Carrying amount of trade payables	**(6,090,027)**	(3,891,534)
Net position as at 31 December	**–**	–

Note: The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group was still exposed to credit risk on these receivables at the end of the reporting period, the cash received from the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

47. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2023, the Group had the following acquisition of a subsidiary.

(a) During the year ended 31 December 2023, the Group acquired 80% of the issued capital of Shandong Anrun Energy Co., Ltd * ("Shandong Anrun") 山東安潤能源有限公司 from a limited partnership which the Group invested for consideration of RMB3,009,482,000 and its identifiable assets were mainly property, plant and equipment. The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations. This acquisition had been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired was concentrated in a group of similar identifiable assets (property, plant and equipment).

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

	RMB'000
Property, plant and equipment	4,104,881
Right-of-use assets	67,475
Trade receivables	28,336
Prepayments and other receivables	29,099
Inventories	148,624
Cash and cash equivalents	2,506
Trade payables	(67,261)
Other payables and accruals	(551,807)
Non-controlling interests	(752,371)
Total identifiable net assets acquired	3,009,482
Satisfied by:	
Cash consideration	3,009,482

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB56,247,000. None of the trade and receivables had been impaired and it is expected that the full amounts can be collected.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	3,009,482
Less: cash and cash equivalent acquired	(2,506)
Net cash outflow on acquisition	3,006,976

48. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2024 and 2023, the Group had the following change in its ownership interests in subsidiaries that do not result in a loss of control.

Acquisition of additional interest in a subsidiary

During the year ended 31 December 2024, the Group acquired an additional 4.04% issued shares of Shandong Hongqiao, increasing its ownership interest to 98.56%. Cash consideration of approximately RMB3,084,009,000 was paid to the non-controlling shareholders. The difference between the carrying amount of 4.04% interest acquired of Shandong Hongqiao and consideration paid was recognised in capital reserve within equity.

Deemed disposal of interest in a subsidiary

During the year ended 31 December 2023, upon additional capital contribution of RMB786,199,000 being made by certain independent investors to Hongchuang, the Group's equity interest in Hongchuang was diluted from 26.64% to 21.72%. The difference between the carrying amount of 4.92% of the net assets of Hongchuang and consideration received was recognised in capital reserve within equity.

49. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and borrowings granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	2024 **RMB'000**	2023 RMB'000
Restricted bank deposits (note 30)	**2,797,477**	1,826,579
Property, plant and equipment (note 16)	**9,487,773**	10,523,030
Right-of-use assets (note 17)	**916,378**	544,629

50. COMMITMENTS

	2024 **RMB'000**	2023 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,455,180**	5,833,218
Commitments arising from unlisted equity investments in partnerships	**1,408,283**	1,408,283

During the year ended 31 December 2024, the Group agreed to provide performance guarantee for Baowu Simandou Mining (Shanghai) Company Limited ("Baowu Simandou (Shanghai)"), an independent third party, for the funding obligation under the Simandou project entered into between Winning Consortium Simandou Pte. Ltd. ("WCS") and Winning Consortium Simandou Infrastructure Pte. Ltd. ("WCSI"), associates of the Group and being the beneficiary, and Baowu Simandou (Shanghai). Pursuant to the agreements, the Group shall undertake to fund the project on its behalf to an amount not exceed US$1,780,000,000, equivalent to approximately RMB12,607,206,000 (which indirectly include the obligations of the Group for its relevant funding contribution under the Winning Consortium Holdings Pte. Ltd.'s shareholders agreement).

51. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group had the following related parties transactions.

(a) During the year, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye	note ii
Binzhou Weiqiao Technology Industrial Park Company Limited (“Binzhou Industrial Park”) 濱州魏橋科技工業園有限公司 (note i)	note iii
Shandong Minghong Textile Technology Company Limited (“Ming Hong Textile”) 山東銘宏紡織科技有限公司 (note i)	note iii
Binzhou City Construction Investment Development Co. Ltd. (“Binzhou Investment”) 濱州市公建投資開發有限公司 (note i)	note iii
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. (“Beihai Solid Waste”) 濱州市北海魏橋固廢處置有限公司 (note i)	note iii
Shandong Ruixin Tendering Co., Ltd (“Shandong Ruixin”) 山東瑞信招標有限公司 (note i)	note iii
Zhanhua Weiqiao Port Logistics Co., Ltd. (“Zhanhua Weiqiao Port Logistics”) 沾化魏橋港口物流有限公司 (note i)	note iii
Weiqiao Textile Co. Ltd (“Weiqiao Textile”) 魏橋紡織股份有限公司	note iii
Shandong Xiangshang Clothing Culture Co., Ltd. (“Shandong Xiangshang”) 山東向尚服飾文化有限公司 (note i)	note iii
Shandong Weiqiao Jiajia Home Textile Co., Ltd. (“Weiqiao Jiajia”) 山東魏橋嘉嘉家紡有限公司 (note i)	note iii
Shandong Anhao Medical Protective Products Technology Co., Ltd. (“Shandong Anhao Medical”) 山東安好醫療防護用品科技有限公司 (note i)	note iii
Weihai Weiqiao Energy Co., Ltd. (“Weihai Weiqiao Energy”) 威海魏橋能源有限公司 (note i)	note iii
Shandong Weiqiao New Energy Co., Ltd. (“Weiqiao New Energy”) 山東魏橋新能源有限公司 (note i)	note iii
Shandong Zhisheng Textile Co., Ltd. (“Zhisheng Textile”) 山東智盛紡織有限公司 (note i)	note iii
Weiqiao Yiwei (Shandong) Equipment Technology Co., Ltd. (“Weiqiao Yiwei”) 魏橋沂威(山東)裝備科技有限公司 (note i)	note iii
Zouping Junlan Property Management Co., Ltd. (“Junlan Property”) 鄒平君瀾物業管理有限公司 (note i)	note iii
Hangqiao New Material Technology (Binzhou) Co., Ltd. (“Hangqiao New Material”) 航橋新材料科技(濱州)有限公司 (note i)	note v
Zouping County Huineng Thermal Power Co., Ltd. (“Zouping County Huineng”) 鄒平縣匯能熱電有限公司 (note i)	note iii
Shandong Hongru Textile Technology Co., Ltd. (“Hongru Textile”) 山東宏儒紡織科技有限公司 (note i)	note iii
PT. Harita Jayaraya (“Harita Jayaraya”)	note iv

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Name of party	**Relationship**
Innovation Carbon New Material	note v
GTS	note v
Binneng Energy	note v
Shandong Weiqiao Haiyi Environmental Technology Co., Ltd. (“Weiqiao Haiyi”) 山東魏橋海逸環保科技有限公司 (note i)	note v
Shandong Binhong Photovoltaic New Energy Co., Ltd. (“Shandong Binhong”) 山東濱宏光伏新能源有限公司 (note i)	note v
Winning Consortium Simandou Railway Pte. Ltd. (“WCSR”)	note v
Shandong Phoenix New Material Technology Co., Ltd (“Shandong Phoenix New Material") 山東鳳凰新材料科技有限公司 (note i)	note v
ABM	note v
Weihai Xingheng New Material Technology Co., Ltd. (“Weihai Xingheng”) 威海興恒新材料科技有限公司 (note i)	note v
Shandong Weiqiao Kuaike Environmental Protection Technology Co., Ltd. (“Weiqiao Kuaike”) 山東魏橋快刻環保科技有限公司 (note i)	note v
SMB	note v
Zhanhua Jinsha Water Supply Co., Ltd. (“Jinsha Water Supply”) 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
Business Aviation Asia (Cayman) Limited (“Business Aviation”)	An associate of Weiqiao Chuangye
Binzhou Xingye Water Supply Co., Ltd. (“Xingye Water”) 濱州興業供水有限公司 (note i)	An associate of Weiqiao Chuangye
Aihuahai (Weihai) Graphic Imaging Co., Ltd. (“Aihuahai (Weihai)”) 愛華海(威海)圖文影像有限公司 (note i)	An associate of Weiqiao Chuangye
PT. Cita Mineral Investindo, Tbk.	A subsidiary of Harita Jayaraya
PT. Antar Sarana Rekasa	A subsidiary of Harita Jayaraya

Notes:

i. The English translation is for reference only.

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

iii. Entities controlled by Weiqiao Chuangye.

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

v. Associate of a subsidiary of the Company.

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	Notes	**2024 RMB'000**	2023 RMB'000
Purchase of water			
Jinsha Water Supply	(a)	**(34,770)**	(26,113)
Weiqiao Chuangye	(b)	**(53,065)**	(45,182)
Xingye Water	(a)	**(2,822)**	–
Industrial waste expenses			
Beihai Solid Waste	(b)	**(80,840)**	(101,394)
Binneng Energy	(f)	**–**	(572)
Purchase of bauxite			
GTS	(f)	**(20,855,435)**	(14,306,886)
PT. Cita Mineral Investindo, Tbk.	(a)	**(987,516)**	(1,307,573)
Purchase of electricity			
Binneng Energy	(f)	**(13,265,800)**	(13,298,361)
Weihai Weiqiao Energy	(f)	**–**	(43,060)
Shandong Binhong	(a)	**(18,910)**	(15,490)
Weiqiao Entrepreneurship	(a)	**(2)**	–
Purchase of anode carbon block			
Innovation Carbon New Material	(f)	**(1,387,715)**	(1,677,340)
Purchase of right-of-use assets			
Weiqiao Chuangye	(a)	**–**	(764,798)
Purchase of steam			
Binneng Energy	(f)	**(571,921)**	(899,482)
Weihai Weiqiao Energy	(f)	**(3,851)**	(3,922)
Purchase of coal			
Binneng Energy	(f)	**–**	(201,542)

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	Notes	**2024 RMB'000**	2023 RMB'000
Purchase of accessories			
Shandong Xiangshang	(a)	**(481)**	(486)
Weiqiao Jiajia	(a)	**(28)**	(705)
Shandong Anhao Medical	(a)	**(1)**	(161)
Weiqiao Haiyi	(f)	**(260)**	(340)
Weiqiao Chuangye	(a)	**(5)**	(4)
Binneng Energy	(f)	**(211)**	–
Aihuahai (Weihai)	(f)	**(6,680)**	–
Sales of accessories			
Zouping County Huineng	(f)	**1**	–
Sales of steam			
Binzhou Industrial Park	(a)	**14,407**	13,535
Ming Hong Textile	(a)	**4,241**	4,512
Binzhou Investment	(a)	**22,600**	25,957
Zhanhua Weiqiao Port Logistics	(a)	**1,388**	1,219
Zhisheng Textile	(a)	**39**	–
Sales of water			
Zhanhua Weiqiao Port Logistic	(a)	**114**	94
Weiqiao Haiyi	(f)	**1**	5
Sales of electricity			
Shandong Binhong	(a)	**164**	129
Weiqiao Haiyi	(f)	**44**	–
Legal and professional fee			
Shandong Ruixin	(a)	**(21,534)**	(4,145)
Business Aviation	(a)	**(56,111)**	(46,699)
Weiqiao New Energy	(f)	**(25,604)**	–
Fenghuang Mterial Technology	(f)	**(593)**	–
Management fee			
Junlan Property	(a)	**(44)**	–
Lease payment			
Weiqiao Chuangye	(a), (c)	**(40,409)**	(40,409)
Harita Jayaraya	(e), (f)	**(1,236)**	(1,236)
PT. Antar Sarana Rekasa	(d), (f)	**(8,640)**	(8,640)

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	Notes	**2024 RMB'000**	2023 RMB'000
Interest income from associates			
Binneng Energy	(f)	**122,000**	114,780
WCSR	(f)	**177,237**	140,828
ABM	(f)	**225,902**	90,184
Sales of coal			
Binneng Energy	(f)	**34,610**	–
Sales of aluminum products			
Hangqiao New Material	(a)	**13,849**	–
Aihuahai (Weihai)	(a)	**104,412**	–
Weihai Xingheng	(a)	**1,193**	–
Binneng Energy	(a)	**3,865**	–
Weiqiao Yiwei	(a)	**15,507**	–

Notes:

(a) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14.76 of the Listing Rules.

(b) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

(c) The Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye in 2018. The amount of lease payment made by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2024, the carrying amount of such lease liabilities is approximately RMB37,584,000 (2023: RMB39,015,000).

The Group entered into a twenty-year lease in respect of land from Weiqiao Chuangye in 2023. The amount of lease payment made by the Group under the lease is approximately RMB37,560,000 per year and prepaid each year. As at 31 December 2024, the carrying amount of such lease liabilities is approximately RMB489,641,000 (2023: 507,744,000).

(d) For the year ended 31 December 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB720,000 per month. As at 31 December 2024, the carrying amount of such lease liabilities is nil (2023: RMB8,010,000).

(e) For the year ended 31 December 2023, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB98,000 per month. As at 31 December 2024, the carrying amount of such lease liabilities is nil (2023: RMB1,121,000).

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

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the year:

	2024 RMB'000	2023 RMB'000
Loans to associates		
ABM	**2,738,263**	2,697,999
Binneng Energy	**2,000,000**	2,000,000
WCSR	**3,165,455**	1,770,675
Trade payables		
GTS	**(2,214,397)**	(410,577)
Innovation Carbon New Material	**–**	(238,019)
Jinsha Water Supply	**–**	(2,438)
Weiqiao Chuangye	**(20,070)**	(10,407)
PT. Cita Mineral Investindo, Tbk.	**(81,359)**	(90,322)
Binneng Energy	**(387,009)**	–
Shandong Binhong	**(1,463)**	–
Weiqiao Jiajia	**(22)**	–
Shandong Anhao Medical	**(28)**	–
Prepayments to an associate		
Binneng Energy	**–**	929,989
Interest receivable		
WCSR	**365,203**	183,261
ABM	**111,697**	90,185
Other payable		
Innovation Carbon New Material	**(1,500)**	–
Shandong Phoenix New Material	**(4,288)**	–
Beihai Weiqiao Solid Waste	**(783)**	–
Weiqiao Kuaike	**(2)**	–
SMB	**(24)**	–
Weiqiao Haiyi	**(2,855)**	–

51. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	2024 RMB'000	2023 RMB'000
Short term employee benefit	**10,103**	9,106
Retirement benefits scheme contributions	**125**	133
	10,228	9,239

Further details of the directors' and chief executive's emoluments are included in note 12.

(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:

	2024 RMB'000	2023 RMB'000
Weiqiao Chuangye	**6,600,000**	3,600,000

52. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2024, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB401,833,000 (2023: RMB403,727,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

During the years ended 31 December 2024 and 2023, no utilisation of forfeited contributions were offset the contributions obligation.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	1 January 2024 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2024 RMB'000
Bank borrowings	39,111,116	6,645,316	–	2,494,067	51,930	–	48,302,429
Lease liabilities	954,658	(106,364)	64,705	44,700	(217)	–	957,482
Liability component of CBs	1,963,567	(113,978)	–	194,812	48,834	–	2,093,235
Derivatives component of CBs	521,919	–	–	–	31,454	1,555,892	2,109,265
Medium-term debentures and bonds	11,323,262	3,321,239	–	690,458	–	–	15,334,959
Short-term debentures and notes	7,000,000	(4,229,161)	–	229,161	–	–	3,000,000
Other financial liabilities	2,965,195	(411,996)	–	177,756	–	–	2,730,955
Guaranteed notes	3,511,821	(1,720,832)	–	294,010	69,410	–	2,154,409
Interest payable	547,652	34,706	–	–	–	–	582,358
	67,899,190	3,418,930	64,705	4,124,964	201,411	1,555,892	77,265,092

			Non-cash changes				
	1 January 2023 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2023 RMB'000
Bank borrowings	35,527,759	1,118,453	–	2,484,126	(19,222)	–	39,111,116
Lease liabilities	67,916	(109,526)	964,951	30,955	362	–	954,658
Liability component of CBs	1,830,527	(54,813)	–	182,338	5,515	–	1,963,567
Derivatives component of CBs	457,010	–	–	–	15,865	49,044	521,919
Medium-term debentures and bonds	14,467,959	(3,824,459)	–	679,762	–	–	11,323,262
Short-term debentures and notes	3,000,000	3,777,818	–	222,182	–	–	7,000,000
Other financial liabilities	–	2,962,600	–	2,595	–	–	2,965,195
Guaranteed notes	4,843,648	(1,565,530)	–	229,095	4,608	–	3,511,821
Interest payable	486,456	61,196	–	–	–	–	547,652
	60,681,275	2,365,739	964,951	3,831,053	7,128	49,044	67,899,190

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

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Plant and equipment		**36**	36
Right-of-use assets		**5,781**	10,589
Investments in subsidiaries		**11,207,401**	11,199,239
Other receivables		**–**	1,770,675
Amounts due from subsidiaries	(i)	**10,067,880**	10,915,651
Financial assets at fair value through other comprehensive income		**737,107**	878,641
		22,018,205	24,774,831
Current assets			
Trade receivables		**503,154**	44,030
Prepayment and other receivables		**371,845**	189,869
Amounts due from subsidiaries	(i)	**599,942**	1,008,911
Amount due from immediate holding company	(ii)	**27**	27
Cash and cash equivalents		**362,905**	408,362
		1,837,873	1,651,199
Current liabilities			
Trade payables		**1,998**	44,030
Other payables		**129,034**	69,673
Lease liabilities		**5,999**	4,769
Bank borrowings – due within one year		**964,817**	996,974
Guaranteed notes – due within one year		**2,154,409**	3,511,821
		3,256,257	4,627,267
Net current liabilities		**(1,418,384)**	(2,976,068)
Total assets less current liabilities		**20,599,821**	21,798,763
Non-current liabilities			
Lease liabilities		**–**	5,999
Amount due to a subsidiary	(ii)	**9,460,632**	12,060,856
Bank borrowings – due after one year		**1,658,043**	–
Liability component of convertible bonds – due after one year		**2,093,235**	1,963,567
Derivative component of convertible bonds – due after one year		**2,109,265**	521,919
		15,321,175	14,552,341
Net assets		**5,278,646**	7,246,422
Capital and reserves			
Share capital		**618,881**	618,881
Reserves	(iii)	**4,659,765**	6,627,541
Total equity		**5,278,646**	7,246,422

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

(i) The amounts due from subsidiaries with the balance of approximately RMB1,674,400,000 (2023: RMB2,916,178,000) are unsecured, carrying interest at fixed rate ranged from 5% to 8% (2023: ranged from 5% to 8%) per annum. The balances of approximately RMB594,100,000 (2023: RMB1,008,911,000) and RMB1,080,300,000 (2023: RMB1,907,267,000) are repayable in April 2025 and January 2026 (2023: April 2024 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 RMB8,993,422,000 (2023: RMB9,008,384,000) by using the effective interest rate of 4.9% per annum for the years ended 31 December 2024 and 2023.

(ii) The amounts due from (to) immediate holding company/a subsidiary are unsecured, interest-free. The directors of the Company do not expect repayments from immediate holding company within next twelve months from the end of the reporting period and the balance of payable to a subsidiary will only be due after one year from the end of the reporting period.

(iii) Movement in reserves

	Share premium RMB'000	Share reserve [a] RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	25,040,832	3,193,854	(22,066,261)	6,168,425
Loss and total comprehensive expense for the year	–	–	4,245,228	4,245,228
Dividend paid	–	–	(3,786,112)	(3,786,112)
At 31 December 2023 and 1 January 2024	**25,040,832**	**3,193,854**	**(21,607,145)**	**6,627,541**
Profit and total comprehensive income for the year	**–**	**–**	**6,499,823**	**6,499,823**
Dividend paid	**–**	**–**	**(8,467,599)**	**(8,467,599)**
At 31 December 2024	**25,040,832**	**3,193,854**	**(23,574,921)**	**4,659,765**

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

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2024 and 2023 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				
				2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	
China Hongqiao Investment Limited	BVI	Ordinary Shares	US$200	100	100	-	–	100	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	-	–	100	100	100	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	61	61	-	–	61	61	Manufacture and sale of alumina
Hongqiao (HK) International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	-	–	100	100	100	100	Inactive
Shandong Hongqiao	PRC	Ordinary Shares	RMB11,759,333,009	-	–	98.56	94.52	98.56	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	-	–	98.56	94.52	98.56	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	-	–	93.92	90.07	93.92	90.07	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	-	–	93.92	90.07	93.92	90.07	Manufacture and sale of aluminum products
Shandong Weiqiao	PRC	Ordinary Shares	RMB13,000,000,000	-	–	98.56	94.52	98.56	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	-	–	98.56	94.52	98.56	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	RMB10,000,000	-	–	98.56	94.52	98.56	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2024 and 2023 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				
				2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	
Zouping Huicai New Material Technology Co., Ltd.* 鄒平縣匯才新材料科技有限公司	PRC	Ordinary Shares	RMB20,000,000	-	–	98.56	94.52	98.56	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	-	–	93.92	90.07	93.92	90.07	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	-	–	93.92	90.07	93.92	90.07	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	-	–	93.92	90.07	93.92	90.07	Manufacture and sale of aluminum products
Binzhou Zhanhua Huihong New Material Co., Ltd.* 濱州市沾化區匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,000,000,000	-	–	93.92	90.07	93.92	90.07	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	-	–	93.92	90.07	93.92	90.07	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	-	–	93.92	90.07	93.92	90.07	Manufacture and sale of aluminum products
Binzhou Honguo New Material* 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	–	93.92	90.07	93.92	90.07	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$300,000,000	-	–	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	-	–	93.92	90.07	93.92	90.07	Manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2024 and 2023 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				
				2024 %	2023 %	2024 %	2023 %	2024 %	2023 %	
Binzhou Hongzhan Aluminum Technology Co., Ltd.* 濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	-	–	93.92	90.07	93.92	90.07	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	-	–	93.92	90.07	93.92	90.07	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	-	–	98.56	94.52	98.56	94.52	Manufacture and sale of aluminum products
Beihai Xinhe	PRC	Ordinary Shares	RMB2,100,000,000	-	–	93.92	90.07	93.92	90.07	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	-	–	22.65	21.72	22.65	21.72	Manufacture and sale of aluminum products
Chongqing Weiqiao Financial	PRC	Ordinary Shares	RMB500,000,000	-	–	98.56	94.52	98.56	94.52	Provision of financing
Yunnan Hongtai New Material Co., Ltd* 雲南宏泰新型材料有限公司	PRC	Ordinary Shares	RMB12,000,000,000	-	–	70.44	67.55	70.44	67.55	Manufacture and sale of aluminum products
Shandong Hongtuo	PRC	Ordinary Shares	RMB7,870,325,000	-	–	93.92	90.07	93.92	90.07	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	-	–	93.92	90.07	93.92	90.07	Manufacture and sale of aluminum products
Shandong Hongxing Light Alloy Co., Ltd.* 山東宏星輕合金有限公司 (formerly known as Shandong Weiqiao Lightweight Materials Co., Ltd.)	PRC	Ordinary Shares	RMB100,000,000	-	–	98.56	94.52	98.56	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 22.65% (2023: 21.72%) equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB18,334,959,000 (2023: RMB18,323,262,000) of debt securities at the end of the year:

	Total and held by third parties	
	2024 RMB'000	2023 RMB'000
Shandong Hongqiao	**18,334,959**	16,320,053
Shandong Weiqiao	**–**	2,003,209

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 (2023: the PRC, Singapore, BVI, Hong Kong and Guinea). The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2024	2023
Sales of aluminum products	The PRC	**27**	25
Sales of scrap materials	The PRC	**1**	1
Delivery service	The PRC	**1**	1
Reclamation and utilisation of waste	The PRC	**7**	7
Wholesale of bauxite, alumina and aluminum products	The PRC	**11**	11
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**15**	15
Technology promotion and application service industry	The PRC	**5**	5
Investment management	The PRC	**1**	1
Investment holdings	The PRC	**4**	4
Others	Hong Kong	**1**	1
Others	The PRC	**14**	14
		90	88

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		(Loss) profit attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Hongchuang and its subsidiaries	PRC	**77.02%**	77.02%	**77.02%**	77.02%	**(53,275)**	(113,226)	**838,307**	891,582

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

	2024 RMB'000	2023 RMB'000
Current assets	**1,446,215**	1,402,952
Non-current assets	**1,180,725**	1,290,317
Current liabilities	**(1,421,303)**	(1,411,475)
Non-current liabilities	**(117,209)**	(124,196)
Equity attributable to owners of the Company	**250,121**	266,016
Non-controlling interest	**838,307**	891,582
Revenue	**3,486,223**	2,698,438
Expenses	**(3,555,393)**	(2,845,446)
Loss for the year	**(69,170)**	(147,008)
Loss and total comprehensive expense attributable to owners of the Company	**(15,895)**	(33,782)
Loss and total comprehensive expense attributable to the non-controlling interest	**(53,275)**	(113,226)
Loss and total comprehensive expense for the year	**(69,170)**	(147,008)
Net cash outflows from operating activities	**(18,129)**	(212,606)
Net cash outflows from investing activities	**(24,921)**	(455,768)
Net cash inflows from financing activities	**188,139**	581,868
Net cash inflows (outflows)	**145,089**	(86,506)

56. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2024, the Group entered into new arrangement in respect of premises (2023: premises and vessels). Right-of-use assets and lease liabilities of approximately RMB64,705,000 (2023: RMB964,951,000) were recognised at the commencement of the lease.

During the year ended 31 December 2023, dividend was declared by one of its associate and the Group's entitlement is approximately RMB2,843,867,000. As at 31 December 2023, balance of RMB2,697,999,000 remained unsettled and it was assigned and included as loan to associate.

57. EVENT AFTER THE REPORTING PERIOD

As set out in the announcement of the Company dated 6 January 2025, the board of directors of Hongchuang, an indirect subsidiary of the Company, resolved to approve the preliminary plan for Hontron Holding to acquire 100% equity interests in Shandong Hongtuo, an indirect subsidiary of the Company, by issuance of shares held by the transaction parties. Upon completion of the transaction, the shareholding proportion of the Company in Hongchuang will increase accordingly, and both Hongchuang and Shandong Hongtuo (through Hongchuang) will continue to be subsidiaries of the Group.

As set out in the announcement of the Company dated 6 January 2025, the Group issued 7.05% guaranteed notes with the aggregate principal amount of US$330,000,000 (equivalent to approximately RMB2,398,176,000) which were guaranteed by certain subsidiaries of the Group.

Save as disclosed above, there is no material event undertaken by the Company or by the Group after the end of the reporting period and up to the date of this annual report.

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信永中和(香港)會計師事務所有限公司
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皇室大廈安達人壽大樓17樓

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

OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 68 to 192, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

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

- Estimated allowance on inventories;
- Impairment assessment of property, plant and equipment;
- Impairment assessment of interest in Zouping Binneng Energy Technology Co., Ltd* ("Binneng Energy") 鄒平濱能能源科技有限公司; and
- Impairment assessment of loans to associates.

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 25 to the consolidated financial statements and the accounting policies on page 95.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of the inventories was approximately RMB33,958,455,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the current assets and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2023. We have reviewed the utilisation of inventories and sales contracts awarded and entered into among the Group and the customers. We have also reviewed the calculation of net realisable value (which include estimated cost of completion, estimated cost necessary to make the sale and the latest selling prices) of the respective inventories, and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

* The English translation is for reference only

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements and the accounting policies on pages 104 to 105.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of property, plant and equipment amounted to approximately RMB70,200,235,000. Management assesses property, plant and equipment for potential impairment whenever there are indications that the carrying value may not be recoverable. An impairment loss on property, plant and equipment of approximately RMB805,162,000 was recognised for the year ended 31 December 2023. We have identified the impairment assessment of the property, plant and equipment as a key audit matter since the carrying amount of property, plant and equipment was significant to the consolidated financial statements and significant judgments and estimates have been used by the management and valuation specialist in determining the recoverable amount of property, plant and equipment.	We understood the management methodology and basis applied in calculating the recoverable amounts. We evaluated the recoverable amount calculations of the relevant assets prepared by the management by 1) obtaining external valuation reports for those assets where their recoverable amounts are determined by higher of value in use and fair value less cost of disposal; 2) considering the objectivity, independence and competency of the valuation specialist; 3) assessing the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions applied in determining the value in use and fair value less cost of disposal and 4) checking the mathematical accuracy of the impairment models.

IMPAIRMENT ASSESSMENT OF INTEREST IN BINNENG ENERGY

Refer to note 20 to the consolidated financial statements and the accounting policies on page 85.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of the Group's interest in Binneng Energy amounted to approximately RMB5,188,686,000. We have identified the impairment assessment of interest in Binneng Energy as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.	Our procedures were designed to assess the management's process for identifying the existence of impairment indicators for the interest in Binneng Energy and to challenge the reasonableness of the recoverable amount, including projections of cash flows, discount rate and growth rates applied, and future prospects of Binneng Energy. In order to address this matter in our audit, we obtained management's impairment assessment and reviewed the future cash flow forecast prepared by management. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations. We also challenged the discount rates employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF LOANS TO ASSOCIATES

Refer to notes 20 and 21 to the consolidated financial statements and the accounting policies on pages 85, 99 to 102.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the Group had loans provided to associates at carrying amount of RMB6,468,674,000, of which RMB4,468,674,000 is included in interests in associates. The loans provided to associates is assessed for impairment individually and involves significant management judgment in assessing the expected credit loss ("ECL"), based on the historical credit loss experience, forward-looking factors specific to the associate and economic environment and the net realisable value of the underlying collateral received. We have identified the impairment assessment of loans to associates as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.	Our procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on loans to associates. In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of input data used by the management with reference to the historical credit loss experience, financial information of associates, recoverable amount of the collateral, the latest available general economic data and forward looking information.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

22 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000
Revenue	5	**133,623,632**	131,699,427
Cost of sales		**(112,669,035)**	(113,460,127)
Gross profit		**20,954,597**	18,239,300
Other income and gains	7	**3,713,038**	3,928,933
Selling and distribution expenses		**(755,274)**	(597,679)
Administrative expenses		**(4,952,875)**	(5,933,759)
Other expenses	8	**(945,299)**	(329,047)
Finance costs	9	**(3,267,938)**	(3,019,544)
Changes in fair values of financial instruments	32	**(49,044)**	(184,981)
Share of profits of associates	20	**1,193,259**	503,335
Profit before taxation		**15,890,464**	12,606,558
Income tax expenses	10	**(3,392,712)**	(2,797,583)
Profit for the year	11	**12,497,752**	9,808,975
Attributable to:			
Owners of the Company		**11,460,678**	8,701,953
Non-controlling interests		**1,037,074**	1,107,022
		12,497,752	9,808,975
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**108,753**	356,375
Share of other comprehensive income of associates		**22,707**	177,920
		131,460	534,295
Items that will not be reclassified subsequently to profit or loss:			
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income		**(141,210)**	133,253
Total comprehensive income for the year, net of income tax		**12,488,002**	10,476,523
Total comprehensive income for the year attributable to			
Owners of the Company		**11,422,590**	9,217,385
Non-controlling interests		**1,065,412**	1,259,138
		12,488,002	10,476,523
Earnings per share	15		
– Basic (RMB)		**1.2095**	0.9358
– Diluted (RMB)		**1.1952**	0.9358

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**70,200,235**	68,060,299
Right-of-use assets	17	**9,675,440**	7,672,678
Intangible assets	18	**42,907**	34,291
Investment properties	19	**38,159**	41,046
Deposits paid for acquisition of property, plant and equipment		**1,045,165**	644,100
Deferred tax assets	41	**2,990,023**	2,605,197
Interests in associates	20	**11,034,432**	10,296,678
Loan to an associate	21	**2,000,000**	2,000,000
Goodwill	22	**278,224**	278,224
Financial asset at amortised cost	29	**2,494,000**	2,499,000
Financial assets at fair value through other comprehensive income	23	**1,401,378**	1,542,588
Financial assets at fair value through profit or loss	24	**11,725,159**	–
Prepayment	28	**–**	2,500,000
		112,925,122	98,174,101
CURRENT ASSETS			
Inventories	25	**33,958,455**	37,267,620
Trade receivables	26	**5,488,751**	4,610,695
Bills receivables	27	**4,977,642**	5,573,175
Prepayments and other receivables	28	**8,747,804**	10,051,561
Other financial asset	30	**–**	2,122
Income tax recoverable		**674,610**	957,917
Restricted bank deposits	31	**1,826,579**	1,720,058
Cash and cash equivalents	31	**31,721,122**	27,384,542
		87,394,963	87,567,690
CURRENT LIABILITIES			
Trade and bills payables	33	**11,648,276**	14,911,002
Other payables and accruals	34	**10,603,297**	12,357,158
Bank borrowings – due within one year	35	**30,489,208**	30,533,850
Lease liabilities	17	**37,952**	16,161
Income tax payable		**2,586,352**	618,264
Short-term debentures and notes	37	**7,000,000**	3,000,000
Medium-term debentures and bonds – due within one year	38	**8,116,930**	8,507,112
Guaranteed notes – due within one year	39	**3,511,821**	1,392,893
Deferred income	42	**35,290**	36,684
		74,029,126	71,373,124
NET CURRENT ASSETS		**13,365,837**	16,194,566
TOTAL ASSETS LESS CURRENT LIABILITIES		**126,290,959**	114,368,667

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	35	**8,621,908**	4,993,909
Other financial liability	36	**2,965,195**	–
Lease liabilities	17	**916,706**	51,755
Liability component of convertible bonds – due after one year	40	**1,963,567**	1,830,527
Derivative component of convertible bonds – due after one year	40	**521,919**	457,010
Deferred tax liabilities	41	**363,704**	523,795
Medium-term debentures and bonds – due after one year	38	**3,206,332**	5,960,847
Guaranteed notes – due after one year	39	**–**	3,450,755
Deferred income	42	**1,475,183**	794,292
		20,034,514	18,062,890
NET ASSETS		**106,256,445**	96,305,777
CAPITAL AND RESERVES			
Share capital	43	**618,881**	618,881
Reserves	44	**91,625,797**	83,879,972
Equity attributable to owners of the Company		**92,244,678**	84,498,853
Non-controlling interests		**14,011,767**	11,806,924
TOTAL EQUITY		**106,256,445**	96,305,777

The consolidated financial statements on pages 68 to 192 were approved and authorised recognised for issue by the board of directors on 22 March 2024 and are signed on its behalf by:

Zhang Bo
Director

Zhang Ruilian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 44(d))	Capital reserve RMB'000 (Note 44(a))	Translation reserve RMB'000 (Note 44(c))	Statutory surplus reserve RMB'000 (Note 44(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777
Profit for the year	-	-	-	-	-	-	11,460,678	11,460,678	1,037,074	12,497,752
Other comprehensive income for the year:										
Fair value gain on investments in equity instruments at fair value through other comprehensive income	-	-	(141,210)	-	-	-	-	(141,210)	-	(141,210)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	80,415	-	-	80,415	28,338	108,753
Share of other comprehensive income of associates	-	-	-	-	22,707	-	-	22,707	-	22,707
Total comprehensive income	-	-	(141,210)	-	103,122	-	11,460,678	11,422,590	1,065,412	12,488,002
Capital contribution	-	-	-	-	-	-	-	-	1,078,868	1,078,868
Acquisition of a subsidiary (note 47)	-	-	-	-	-	-	-	-	752,371	752,371
Change in ownership in interest in a subsidiary (note 48)	-	-	-	109,347	-	-	-	109,347	(109,347)	-
Transfer of reserves	-	-	-	-	-	2,516,563	(2,516,563)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(3,786,112)	(3,786,112)	(582,461)	(4,368,573)
	-	-	-	109,347	-	2,516,563	(6,302,675)	(3,676,765)	1,139,431	(2,537,334)
At 31 December 2023	618,881	25,040,832	(860,981)	327,046	426,433	18,820,750	47,871,717	92,244,678	14,011,767	106,256,445

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 44(d))	Capital reserve RMB'000 (Note 44(a))	Translation reserve RMB'000 (Note 44(c))	Statutory surplus reserve RMB'000 (Note 44(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829
Profit for the year	–	–	–	–	–	–	8,701,953	8,701,953	1,107,022	9,808,975
Other comprehensive income for the year:										
Fair value gain on investments in equity instruments at fair value through other comprehensive income	–	–	133,253	–	–	–	–	133,253	–	133,253
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	204,259	–	–	204,259	152,116	356,375
Share of other comprehensive income of associates	–	–	–	–	177,920	–	–	177,920	–	177,920
Total comprehensive income	–	–	133,253	–	382,179	–	8,701,953	9,217,385	1,259,138	10,476,523
Capital contribution	–	–	–	–	–	–	–	–	395,210	395,210
Share of capital reserve of an associate	–	–	–	23,918	–	–	–	23,918	–	23,918
Issue of shares upon conversion of convertible bonds (note 40)	23,742	2,207,465	–	–	–	–	–	2,231,207	–	2,231,207
Transfer to non-controlling interests	–	–	–	1,849	–	–	–	1,849	(1,849)	–
Change in ownership in interest in a subsidiary (note 48)	–	–	–	(57,650)	–	–	–	(57,650)	(178,850)	(236,500)
Transfer of reserves	–	–	–	–	–	1,353,142	(1,353,142)	–	–	–
Dividends paid (note 14)	–	–	–	–	–	–	(8,225,651)	(8,225,651)	(797,759)	(9,023,410)
	23,742	2,207,465	–	(31,883)	–	1,353,142	(9,578,793)	(6,026,327)	(583,248)	(6,609,575)
At 31 December 2022	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**15,890,464**	12,606,558
Adjustments for:			
Interest income		**(1,023,491)**	(701,021)
Finance costs		**3,267,938**	3,019,544
Share of profits of associates		**(1,193,259)**	(503,335)
Depreciation of property, plant and equipment		**6,950,068**	6,762,988
Depreciation of investment properties		**2,887**	3,067
Depreciation of right-of-use assets		**226,135**	178,886
Gain on disposal of property, plant and equipment		**(69,939)**	(22,783)
Loss on fair values changes of financial instruments		**49,044**	184,981
Gain on bargain purchase	47	**–**	(20,522)
Amortisation of intangible assets		**6,945**	6,118
Amortisation of deferred income		**(44,898)**	(47,910)
Reversal of write-down of inventories		**(8,195)**	(20,417)
Impairment (reversal of impairment) of trade receivables		**620**	(1,223)
(Reversal of impairment) impairment of other receivables		**(3,603)**	82
Write-down of inventories		**126,282**	104,127
Impairment loss recognised in respect of property, plant and equipment		**805,162**	224,838
Impairment loss recognised in respect of right-of-use assets		**13,235**	–
Gain on disposal of an associate		**(21,053)**	–
Unrealised foreign exchange loss (gain), net		**97,068**	655,885
Operating cash flows before movements in working capital		**25,071,410**	22,429,863
Decrease (increase) in inventories		**3,233,686**	(14,292,291)
(Increase) decrease in trade receivables		**(857,579)**	2,929,117
Decrease in bills receivables		**595,533**	6,910,804
Decrease in prepayments and other receivables		**1,562,698**	1,243,275
Decrease in trade and bills payables		**(3,338,788)**	(4,620,725)
Decrease in other payables and accruals		**(2,178,424)**	(830,151)
Cash generated from operations		**24,088,536**	13,769,892
Income tax paid		**(1,686,234)**	(6,148,056)
NET CASH FROM OPERATING ACTIVITIES		**22,402,302**	7,621,836

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Purchase of financial asset at amortised cost		**(2,494,000)**	–
Proceeds from disposal of financial assets at amortised cost		**2,499,000**	–
Purchase of financial assets at FVTOCI		**–**	(350,429)
Purchase of financial assets at FVTPL		**(9,225,159)**	–
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment		**(6,046,330)**	(8,848,359)
Placement of restricted bank deposits		**(758,033)**	(456,479)
Proceeds from disposal of an associate		**678,990**	–
Proceeds from disposal of property, plant and equipment		**383,906**	50,691
Settlement of other financial liabilities		**–**	(4,497)
Addition to right-of-use assets		**(1,208,879)**	(1,424,871)
Interest received		**791,571**	656,960
Withdrawal of restricted bank deposits		**651,512**	360,295
Purchases of intangible assets		**(15,561)**	(7,814)
Capital refund of associates		**550,250**	–
Loan to an associate		**(625,985)**	(1,044,690)
Repayment of loan to an associate		**759,668**	–
Prepayment for capital injection to a limited partnership		**–**	(2,500,000)
Net cash outflow on acquisition of subsidiaries	47	**(3,006,976)**	(833,318)
Proceeds of disposal of other financial asset		**2,122**	–
Capital injection to associates		**(824,609)**	(2,370,021)
NET CASH USED IN INVESTING ACTIVITIES		**(17,888,513)**	(16,772,532)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**38,227,341**	23,078,057
Proceeds from other financial liability		**2,962,600**	–
Proceeds from issuance of medium-term debentures and bonds		**3,220,000**	5,000,000
Proceeds from issuance of short-term debentures and notes		**7,000,000**	3,000,000
Acquisition of additional interest of a subsidiary	48	**–**	(236,500)
Receipt of government grants		**724,395**	16,993
Transaction costs on issuance of medium-term debentures and bonds		**(11,400)**	(27,000)
Transaction costs on issuance of short-term debentures and notes		**(9,000)**	(9,000)
Repayment of lease liabilities		**(78,571)**	(18,093)
Interest expense paid		**(3,206,742)**	(3,558,565)
Repayment of bank borrowings		**(34,901,012)**	(24,275,087)
Repayment of short-term debentures and bonds		**(3,000,000)**	(1,500,000)
Repayment of medium-term debentures and bonds		**(6,401,045)**	(3,600,214)
Repayment of guaranteed notes		**(1,436,432)**	(2,032,839)
Contribution from non-controlling interests		**1,078,868**	395,210
Dividends paid		**(4,368,578)**	(9,023,408)
NET CASH USED IN FINANCING ACTIVITIES		**(199,576)**	(12,790,446)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,314,213**	(21,941,142)
Effect of changes in foreign exchange rates		**22,367**	98,402
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**27,384,542**	49,227,282
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		**31,721,122**	27,384,542

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and immediate holding company is China Hongqiao Holdings Limited ("Hongqiao Holdings"), a company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company, and the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are set out in note 55.

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

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

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2023.

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.

Impact on application of Amendments to IAS 8 – Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

There was no impact on the consolidated statement of financial position because the related deferred tax balances qualify for offsetting under IAS 12. There was no impact on the opening retained earnings as at 1 January 2022.

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

Impact on application of Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group has applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes immediately and retrospectively. Additional disclosures are provided in note 10.

Amendments to IFRSs issued but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after a date to be determined.

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

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

Amendments to IFRSs issued but not yet effective (Continued)

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current; Amendments to IAS 1 –Non-current Liabilities with Covenants

Amendments to IAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the "2020 Amendments") clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to IAS 1 Non-current Liabilities with Covenants issued in 2022 (the "2022 Amendments") further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

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

Amendments to IFRSs issued but not yet effective (Continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendments to IAS 21 Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

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

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

The material accounting policies are set out below.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation

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

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Goodwill

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Interests in associates

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

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

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

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

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

The requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Interests in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

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

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

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. In applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Revenue from contracts with customers

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

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

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

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

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

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract liabilities

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

Sales of goods

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

Revenue from sales of steam are recognised at a point in time and based on steam consumption derived from meter readings.

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

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

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

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

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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

Government grants

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

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

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

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

Retirement benefits costs

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

Short-term and other long-term employee benefits

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

If an item of property, plant and equipment and right-of-use assets become an investment property when there is a change in use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

Intangible asset acquired in a business combination

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

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

Inventories

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

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

Investments in subsidiaries

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

Financial instruments

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

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

Financial assets

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 7).

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

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

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

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income and gains' line item in profit or loss.

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item. Fair value is determined in the manner described in note 46.

A financial asset is held for trading if:

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, e.g. when the counterparty has been placed under liquidation. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "changes in fair values of financial instruments" line item in profit or loss.

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both liability and derivatives (which are not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option and redemption option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as derivatives components. At the date of issue, both the liability and derivatives components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value except for net realisable value of inventories and value in use of assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

As disclosed in notes 16 and 17, there are properties and land use rights located in the PRC of which the Group is in the process of obtaining the ownership certificate. Despite the fact that the Group has not obtained the relevant legal title, the directors of Company determine to recognise these lands and buildings on the ground that there is no legal barrier or otherwise for the Group to obtain such title ownership certificates and the Group is in substance controlling these lands and buildings. In the opinion of the directors of Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

Controls in subsidiaries

As per note 55 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even though the Group has only 21.72% (2022: 26.64%) ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange. The remaining 78.28% (2022: 73.36%) of the ownership interests were held by numerous shareholders that were unrelated to the Group.

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

Withholding tax provision on profit appropriation

The Group provides for withholding taxes on certain of its PRC subsidiaries' distributable profits generated in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2023, the amount provided for withholding tax was approximately RMB270,488,000 (2022: RMB358,097,000). Further details are given in note 41 to the consolidated financial statements.

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

Key sources of estimation uncertainty

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 were approximately RMB730,724,000 (2022: RMB689,066,000). The amount of unrecognised tax losses at 31 December 2023 was approximately RMB2,232,501,000 (2022: RMB1,903,813,000). Further details are contained in note 41.

Estimated impairment of property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB70,200,235,000 (2022: RMB68,060,299,000), net of accumulated impairment of property, plant and equipment of approximately RMB4,492,858,000 (2022: RMB3,687,696,000) and identify if there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value-in-use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections, depreciation rate and discount rates. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

Based on the directors' assessment of recoverable amount of the relevant assets and with reference to fair values less costs of disposal of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB805,162,000 (2022: RMB224,838,000) was recognised for the year ended 31 December 2023.

Estimated useful life of property, plant and equipment

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment as at 31 December 2023 are RMB70,200,235,000 (2022: RMB68,060,299,000).

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2023, the carrying amount of trade receivables was approximately RMB5,488,751,000 (2022: RMB4,610,695,000), net of allowance for impairment loss of approximately RMB7,339,000 (2022: RMB6,719,000).

Impairment assessment of interests in associates

The carrying amount of the interests in associates is tested for impairment as a single asset. Determining whether interest in an associate is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in an associate. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the associate and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2023, the carrying amount of interests in associates, excluding the loans to associates, was RMB6,565,758,000 (2022: RMB8,485,882,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2023 and 2022.

Impairment assessment of loans to associates

The impairment assessment of loans to associates is based on (i) assumptions about ECL and (ii) the net realisable value of the underlying collateral received. The Group uses judgement in making assumptions and selecting the inputs to the ECL calculation including the associates historical credit loss experience and forward-looking information at the end of the reporting period. Changes in assumption and selection of data inputs would result in significant change in carrying amount of the loans to associates. As at 31 December 2023, the carrying amount of loans to associates amounted to RMB6,468,674,000 (2022: RMB3,810,796,000), of which RMB4,468,674,000 (2022: RMB1,810,796,000) is included in interests in associates. No impairment loss has been recognised in profit or loss during the years ended 31 December 2023 and 2022.

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

Key sources of estimation uncertainty (Continued)

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2023, the carrying amount of inventories was approximately RMB33,958,455,000 (2022: RMB37,267,620,000), after netting off of accumulated allowance of inventories of approximately RMB96,099,000 (2022: RMB121,965,000).

Fair value of derivative component of convertible bonds

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The fair value of derivative component of convertible bonds of approximately RMB521,919,000 (2022: RMB457,010,000) as at 31 December 2023 are set out in note 40.

Fair value of financial assets measured at FVTPL and FVTOCI

The management of the Group use their judgements in selecting appropriate valuation techniques for financial instruments not quoted in an active market. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates. As at 31 December 2023, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately RMB94,412,000 (2022: RMB100,000,000). As at 31 December 2023, the carrying amount of the limited partnerships classified as financial assets at FVTPL was approximately RMB11,725,159,000 (2022: nil). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

5. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	2023 RMB'000	2022 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**83,750,044**	85,833,912
– aluminum alloy ingots	**10,890,825**	10,393,059
– aluminum fabrication	**11,500,388**	13,302,321
– alumina	**26,557,457**	21,404,782
Steam supply income	**924,918**	765,353
	133,623,632	131,699,427

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

	2023 RMB'000	2022 RMB'000
Geographical region		
The PRC	**126,397,054**	123,249,928
India	**2,412,216**	1,119,007
Europe	**2,255,909**	3,133,262
Malaysia	**421,062**	256,487
Other Southeast Asia region	**1,295,061**	1,483,309
North America	**596,995**	1,863,564
Others	**245,335**	593,870
Total	**133,623,632**	131,699,427
Type of customers		
Government related	**289**	274
Non-government related	**133,623,343**	131,699,153
Total	**133,623,632**	131,699,427
Sales channels		
Direct sales	**133,623,632**	131,699,427

Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year, thus the Group applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

6. SEGMENT INFORMATION

For management purposes, the Group operates only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in the PRC (including Hong Kong) and Indonesia. Management monitors the operating results of its business unit as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

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

	Non-current assets	
	2023	2022
	RMB'000	RMB'000
PRC	**85,721,885**	82,565,449
Indonesia	**6,592,677**	6,961,867
	92,314,562	89,527,316

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

Information about major customers

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

	2023	2022
	RMB'000	RMB'000
Customer A	**45,121,545**	50,042,829

7. OTHER INCOME AND GAINS

	2023 RMB'000	2022 RMB'000
Bank interest income	**307,644**	193,141
Other interest income	**216,382**	208,420
Investment income	**153,673**	142,846
Interest income from loans to associates (note 51)	**345,792**	156,614
Gain from sales of raw materials and scraps materials	**1,071,479**	1,351,888
Gain from sales of slag of carbon anode blocks	**1,361,216**	1,640,424
Reversal of write-down of inventories(note 25)	**8,195**	20,417
Reversal of impairment of other receivables (note 28)	**3,603**	–
Reversal of impairment of trade receivables (note 26)	**–**	1,223
Amortisation of deferred income (note 42)	**44,898**	47,910
Rental income for investment properties under operating lease that lease payments are fixed	**600**	600
Gain on disposal of an associate (note 20(b))	**21,053**	–
Gain on disposal of property, plant and equipment	**69,939**	22,783
Gain on bargain purchase (note 47)	**–**	20,522
Others	**108,564**	122,145
	3,713,038	3,928,933

8. OTHER EXPENSES

	2023 RMB'000	2022 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note 16)	**805,162**	224,838
Impairment loss recognised in respect of right-of-use assets (note 17)	**13,235**	–
Impairment loss recognised in respect of other receivables (note 28)	**–**	82
Impairment loss recognised in respect of trade receivables (note 26)	**620**	–
Write-down of inventories (note 25)	**126,282**	104,127
	945,299	329,047

9. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest expenses on bank borrowings	**2,484,126**	2,174,962
Interest expenses on short-term debentures and notes	**222,182**	73,311
Interest expenses on medium-term debentures and bonds	**679,762**	568,952
Interest expenses on guaranteed notes	**229,095**	386,610
Interest expenses on convertible bonds (note 40)	**182,338**	227,377
Interest expenses on other financial liability	**2,595**	–
Interest expenses on lease liabilities (note 17(iii))	**30,955**	2,833
Total interest expense for financial liabilities not measured at FVTPL	**3,831,053**	3,434,045
Less: amounts capitalised in the cost of qualifying assets	**(563,115)**	(414,501)
	3,267,938	3,019,544

10. INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
Current tax:		
– PRC Enterprise Income Tax	**3,715,079**	2,879,599
– Indonesia Corporate Income Tax	**202,718**	162,180
– Withholding tax	**19,832**	47,018
	3,937,629	3,088,797
Deferred taxation (note 41)	**(544,917)**	(291,214)
Total income tax expenses for the year	**3,392,712**	2,797,583

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. During the years ended 31 December 2022 and 2021, certain PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" or enjoyed the tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2022: 15%).

Under the Law on the Harmonization of Tax Regulations of 2021, the Group's subsidiary in Indonesia is subject to corporate income tax at 22% for both years.

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2023 and 2022 as there were no assessable profits generated during the year.

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

10. INCOME TAX EXPENSES (Continued)

Pillar Two Income Taxes

The Group has applied the temporary exception from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Under the prevailing EIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax rate of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future.

Indonesia withholding income tax of 10% was levied on the Indonesia subsidiary when dividend was paid out from its profits to shareholders. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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

	2023 **RMB'000**	2022 RMB'000
Profit before taxation	**15,890,464**	12,606,558
Tax at the domestic income tax rate of 25% (note i)	**3,972,616**	3,151,640
Tax effect of income not taxable for tax purpose	**(39,222)**	(58,792)
Tax effect of expenses not deductible for tax purpose	**208,595**	406,250
Tax effect of tax losses not recognised	**180,329**	141,629
Utilisation of tax losses previously not recognised	**(108,905)**	(109,396)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(13,543)**	(12,586)
Effect of income tax on concessionary rate	**(189,475)**	(167,271)
Withholding tax	**19,832**	47,018
Tax effect of share of profits of associates	**(298,315)**	(125,834)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries (note 41)	**(87,609)**	(231,620)
Tax effect of super deduction from research and development expenses (note ii)	**(251,591)**	(243,455)
Income tax expenses for the year	**3,392,712**	2,797,583

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

Note ii: An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax laws and its relevant regulations.

Details of the deferred taxation are set out in note 41.

11. PROFIT FOR THE YEAR

	2023 **RMB'000**	2022 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	**8,097**	7,738
Salaries and allowances (excluding directors' and chief executive's emoluments)	**4,623,370**	4,184,188
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**403,625**	936,043
Total staff costs	**5,035,092**	5,127,969
Auditor's remuneration	**4,200**	4,200
Amortisation of intangible assets	**6,945**	6,118
Cost of inventories recognised as an expense	**112,669,035**	112,452,437
Depreciation of property, plant and equipment	**6,950,068**	6,762,988
Depreciation of investment properties	**2,887**	3,067
Depreciation of right-of-use assets	**226,135**	178,886
Foreign exchange loss, net	**223,678**	889,485
Research and development expenses (note)	**1,006,363**	986,162
Gross rental income from investment properties	**600**	600
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**–**	–
	600	600

Note: Included in research and development expenses was staff cost of approximately RMB282,756,000 (2022: RMB256,300,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 14 (2022: 13) directors and the chief executive were as follows:

	Executive directors				Non-executive directors					Independent non-executive directors					
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Tu Yikai[1] (Zhang Hao as his alternative) RMB'000	Liu Xiaojun[2] (Zhang Hao as his alternative) RMB'000	Sun Dongdong RMB'000	Xing Jian[4] RMB'000	Han Benwen RMB'000	Fu Yulin[3] RMB'000	Dong Xinyi RMB'000	Wen Xianjun RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2023															
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings															
Fees	500	800	500	500	600	-	-	300	300	55	150	126	200	200	4,231
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings															
Other emoluments															
– Salaries, bonus and allowances	78	187	117	3,094	158	-	-	-	130	-	-	-	-	-	3,764
– Retirement benefit scheme contributions	-	20	15	32	20	-	-	-	15	-	-	-	-	-	102
	578	1,007	632	3,626	778	-	-	300	445	55	150	126	200	200	8,097

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Executive directors				Non-executive directors					Independent non-executive directors				
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Li Zimin[5] (Zhang Hao as his alternative) RMB'000	Liu Xiaojun[2] (Zhang Hao as his alternative) RMB'000	Sun Dongdong RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Wen Xianjun RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2022														
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings														
Fees	500	800	500	500	600	–	300	–	300	150	150	200	200	4,200
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
– Salaries, bonus and allowances	66	177	119	2,799	155	–	–	–	131	–	–	–	–	3,447
– Retirement benefit scheme contributions	–	15	15	31	15	–	–	–	15	–	–	–	–	91
	566	992	634	3,330	770	–	300	–	446	150	150	200	200	7,738

1. Appointed on 28 December 2023.
2. Appointed on 29 December 2022 and resigned on 28 December 2023.
3. Appointed on 16 May 2023.
4. Retired on 16 May 2023.
5. Resigned on 29 December 2022.

During the years ended 31 December 2023 and 2022, except for one non-executive director waived emoluments of RMB300,000, none of the chief executive nor other directors waived any emoluments.

There were no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

The performance related bonus is determined by the Group having regard to the director's performance and the prevailing market conditions.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Zhang Bo is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2023 and 2022.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one was director of the Company (2022: two were directors and the chief executive of the Company) whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining four (2022: three) individuals were as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	**10,401**	5,035
Retirement benefits scheme contributions	**222**	63
	10,623	5,098

Their emoluments were within the following bands:

	No. of employee	
	2023	2022
Nil to HK$1,000,000 (nil to approximately RMB906,000)	**–**	1
HK$1,000,001 to HK$1,500,000 (approximately RMB906,001 to RMB1,359,000)	**–**	1
HK$2,000,001 to HK$2,500,000 (approximately RMB1,812,001 to RMB2,266,000)	**2**	–
HK$3,000,001 to HK$3,500,000 (approximately RMB2,719,001 to RMB3,172,000)	**1**	1
HK$3,500,001 to HK$4,000,000 (approximately RMB3,172,001 to RMB3,625,000)	**1**	–
	4	3

14. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends recognised as distribution during the year:		
2023 Interim dividend – HK12 cents		
(2022: 2022 interim dividend HK41 cents) per share	**1,028,382**	3,513,331
2023 Interim special dividend – HK22 cents (2022: nil) per share	**1,885,366**	–
2022 Final dividend – HK10 cents		
(2022: 2021 final dividend HK60 cents) per share	**872,364**	4,712,320
	3,786,112	8,225,651

Subsequent to the end of the reporting period, a final dividend of HK29 cents per share in respect of the year ended 31 December 2023, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

15. EARNINGS PER SHARE

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

	2023 RMB'000	2022 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**11,460,678**	8,701,953
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**182,338**	–
Changes in fair values of derivative component of convertible bonds	**49,044**	–
Exchange loss on translation of convertible bonds	**21,380**	–
Earnings for the purpose of diluted earnings per share	**11,713,440**	8,701,953

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,475,538**	9,299,172
Effect of dilutive potential ordinary shares:		
Convertible bonds	**325,169**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,800,707**	9,299,172

The computation of diluted earnings per share for the year ended 31 December 2022 did not assume the conversion of the Company outstanding convertible bonds since their exercise would result in an increase in earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Aircraft RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	40,745,265	61,239,891	97,775	92,489	353,793	8,358,348	110,887,561
Additions	1,341,101	339,980	25,531	20,802	–	8,322,205	10,049,619
Acquired on acquisition from subsidiaries (note 47)	234,250	945,782	–	–	–	–	1,180,032
Transfer	5,191,713	4,318,774	–	–	–	(9,510,487)	–
Transfer to investment properties (note 19)	(40,305)	–	–	–	–	–	(40,305)
Disposals	(110,938)	(1,193,686)	–	–	–	–	(1,304,624)
Exchange realignment	438,598	167,283	2,088	919	2,838	–	611,726
At 31 December 2022 and 1 January 2023	47,799,684	65,818,024	125,394	114,210	356,631	7,170,066	121,384,009
Additions	18,941	115,967	6,023	39,731	–	5,789,967	5,970,629
Transfer	2,206,567	2,842,196	–	–	–	(5,048,763)	–
Acquired on acquisition from a subsidiary (note 47)	1,542,395	1,452,308	858	1,215	–	1,108,105	4,104,881
Disposals	(299,769)	(2,349,975)	(2,698)	(18,420)	–	–	(2,670,862)
Exchange realignment	126,237	53,372	559	237	877	–	181,282
At 31 December 2023	51,394,055	67,931,892	130,136	136,973	357,508	9,019,375	128,969,939
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	13,462,033	33,422,017	84,223	47,195	3,882	426,266	47,445,616
Provided for the year	2,048,208	4,668,852	11,947	8,673	25,308	–	6,762,988
Impairment loss recognised in profit or loss	126,886	97,952	–	–	–	–	224,838
Eliminated on disposals	(92,836)	(1,183,880)	–	–	–	–	(1,276,716)
Exchange realignment	108,989	55,492	1,607	753	143	–	166,984
At 31 December 2022 and 1 January 2023	15,653,280	37,060,433	97,777	56,621	29,333	426,266	53,323,710
Provided for the year	2,102,325	4,774,221	12,587	35,625	25,310	–	6,950,068
Impairment loss recognised in profit or loss	302,537	285,273	–	–	–	217,352	805,162
Eliminated on disposals	(32,790)	(2,319,887)	–	(4,218)	–	–	(2,356,895)
Exchange realignment	30,925	16,016	434	196	88	–	47,659
At 31 December 2023	18,056,277	39,816,056	110,798	88,224	54,731	643,618	58,769,704
CARRYING VALUES							
At 31 December 2023	33,337,778	28,115,836	19,338	48,749	302,777	8,375,757	70,200,235
At 31 December 2022	32,146,404	28,757,591	27,617	57,589	327,298	6,743,800	68,060,299

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	20-30 years
Plant and machinery	5-20 years
Furniture and fixtures	5-14 years
Motor vehicles	10 years
Aircraft	15 years

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

At 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB10,523,030,000 (2022: RMB12,069,053,000) were pledged to secure bank borrowings of the Group (note 49).

There are properties with a carrying amount of approximately RMB5,900,290,000 (2022: RMB6,121,762,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant. The carrying values of these individual plants were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering expected earning period.

During the year ended 31 December 2023, the directors of the Company conducted a review and determine that certain power plants, construction in progress and right-of-use assets were impaired. The recoverable amounts of relevant property, plant and equipment and right of use assets were approximately their value in use and fair value less costs of disposal and the impairment of approximately RMB818,397,000 (2022: RMB224,838,000) had been recognised in profit or loss.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

No reversal of impairment of property, plant and equipment was recognised during the years ended 31 December 2023 and 2022.

The valuations carried out on 31 December 2023 and 2022 were performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar property, plant and equipment in the relevant industries.

The fair value measurement of the property, plant and equipment is categorised within level 3 of the fair value hierarchy. There were no transfers between levels of fair value hierarchy during the year.

17. LEASES

(i) Right-of-use assets

	Land use rights RMB'000	Properties RMB'000	Vessels, crew boats and crane barge RMB'000	Total RMB'000
COST				
As at 1 January 2022	6,209,150	103,312	20,190	6,332,652
Additions	1,966,081	1,854	22,469	1,990,404
Acquired on acquisition of subsidiaries (note 47)	140,479	–	–	140,479
Exchange realignment	2,360	–	(66)	2,294
At 31 December 2022 and 1 January 2023	8,318,070	105,166	42,593	8,465,829
Additions	2,157,807	16,023	–	2,173,830
Acquired on acquisition from a subsidiary (note 47)	67,475	–	–	67,475
Exchange realignment	568	15	329	912
At 31 December 2023	10,543,920	121,204	42,922	10,708,046
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January 2022	550,075	44,022	20,190	614,287
Depreciation for the year	159,835	11,561	7,490	178,886
Exchange realignment	–	–	(22)	(22)
At 31 December 2022 and 1 January 2023	709,910	55,583	27,658	793,151
Depreciation for the year	205,099	13,486	7,550	226,135
Impairment loss recognised in profit or loss	13,235	–	–	13,235
Exchange realignment	–	3	82	85
At 31 December 2023	928,244	69,072	35,290	1,032,606
CARRYING VALUES				
At 31 December 2023	9,615,676	52,132	7,632	9,675,440
At 31 December 2022	7,608,160	49,583	14,935	7,672,678

As at 31 December 2023, right-of-use assets of RMB9,615,676,000 (2022: RMB7,608,160,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years.

As at 31 December 2023, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB572,399,000 (2022: RMB1,300,343,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for office premises, factories, vessels, crew boats and crane barges. The lease terms are generally ranged from 2 to 20 years (2022: ranged from 2 to 20 years).

17. LEASES (Continued)

(i) Right-of-use assets (Continued)

During the year ended 31 December 2023, the Group entered into a number of new lease agreements for offices premises and land use rights and recognised right-of-use assets of approximately RMB2,173,830,000 (2022: a new lease agreement in respect of office premises and a vessels of approximately RMB24,323,000) of which RMB764,798,000 (2022: RMB102,560,000) was leased from a related party.

At 31 December 2023, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB544,629,000 (2022: RMB556,345,000) were pledged to secure bank borrowings of the Group (note 49).

(ii) Lease liabilities

	2023 **RMB'000**	2022 RMB'000
Non-current	**916,706**	51,755
Current	**37,952**	16,161
	954,658	67,916

Amounts payable under lease liabilities

	2023 **RMB'000**	2022 RMB'000
Within one year	**37,952**	16,161
After one year but within two years	**26,927**	12,800
After two years but within five years	**79,712**	5,997
After five years	**810,067**	32,958
	954,658	67,916
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(37,952)**	(16,161)
Amount due for settlement after 12 months	**916,706**	51,755

During the year ended 31 December 2023, the Group entered into new lease agreements in respect of offices premises and land use right and recognised lease liabilities of approximately RMB964,951,000 (2022: a new lease agreement in respect of office premises and a vessels of approximately RMB24,323,000).

(iii) Amounts recongised in profit or loss

	Year ended	
	31 December **2023** **RMB'000**	31 December 2022 RMB'000
Interest expense on lease liabilities	**30,955**	2,833

17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2023, the total cash outflow for leases amounted to approximately RMB109,526,000 (2022: RMB20,926,000).

Restrictions or covenants on leases

As at 31 December 2023, lease liabilities of RMB954,658,000 are recognised with related right-of-use assets of RMB989,462,000, (2022: lease liabilities of RMB67,916,000 and related right-of-use assets of RMB64,518,000). The lease agreements do not impose any covenants and restriction.

18. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2022	**50,534**
Additions	**7,814**
At 31 December 2022 and 1 January 2023	**58,348**
Additions	**15,561**
At 31 December 2023	**73,909**
ACCUMULATED AMORTISATION	
At 1 January 2022	**17,939**
Provided for the year	**6,118**
At 31 December 2022 and 1 January 2023	**24,057**
Provided for the year	**6,945**
At 31 December 2023	**31,002**
CARRYING VALUES	
At 31 December 2023	**42,907**
At 31 December 2022	**34,291**

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

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

19. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2022	**4,188**
Transfer from property plant and equipment (note 16)	**40,305**
At 31 December 2022, 1 January 2023 and 31 December 2023	**44,493**
ACCUMULATED DEPRECIATION	
At 1 January 2022	**380**
Provided for the year	**3,067**
At 31 December 2022 and 1 January 2023	**3,447**
Provided for the year	**2,887**
At 31 December 2023	**6,334**
CARRYING VALUES	
At 31 December 2023	**38,159**
At 31 December 2022	**41,046**

During the year ended 31 December 2022, the Group transferred a property with carrying amount of approximately RMB40,305,000 (2023: nil) from property, plant and equipment to investment property due to the change in use, which evidenced by inception of an operating lease to another party.

The fair value of the Group's investment properties as at 31 December 2023 was approximately RMB43,060,000 (2022: RMB51,509,000). The fair value has been arrived at with reference to a valuation carried out by ZhongJing Minxin (Beijing) Assets Appraisal Co., Ltd. and Wanlong, an independent qualified professional valuer, not connected to the Group. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The above investment properties are depreciated on a straight-line basis over the terms of the lease of 20 years.

The fair value hierarchy as at 31 December 2023 and 2022 of the investment properties of the Group were at Level 3. There were no transfers between levels of fair value hierarchy during the year.

19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2023 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2023 RMB	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Investment property A	Level 3	RMB6,780,000 (2022: RMB6,950,000)	Income approach – by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value
Investment property B	Level 3	RMB36,280,000 (2022: RMB38,737,000)	Income approach – by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value

20. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Costs of investments in associates	**6,028,733**	5,754,374
Share of profits and other comprehensive income, net of dividends received	**537,025**	2,731,508
	6,565,758	8,485,882
Loans to associates	**4,468,674**	1,810,796
	11,034,432	10,296,678

As at 31 December 2022, the loan to an associate of US$110,000,000, equivalent to approximately RMB766,106,000, is unsecured, interest-free and no fixed term for repayment. During the year ended 31 December 2023, the Group renewed the terms of the loan to an associate with principal amount of USD380,920,000 in aggregate, equivalent to approximately RMB2,697,999,000, carried interest at Secured Overnight Financing Rate ("SOFR") + 3% per annum and no fixed term for repayment.

The remaining loans to associates of US$250,000,000, equivalent to approximately RMB1,770,675,000 (2022: US$150,000,000, equivalent to approximately RMB1,044,690,000) is unsecured, interest bearing at SOFR + 5% per annum and no fixed term for repayment.

20. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2023, the Group established Weiqiao Guoke Zhixing (Shandong) Equipment Technology Co., Ltd. ("Weiqiao Guoke") * 魏橋國科智行(山東)裝備科技有限公司 and contributed an amount of approximately RMB672,000,000 which represents an equity interest of 33.3%. The Group subsequently disposed the associate for a consideration of RMB678,990,000 to a limited partnership which the Group invested due to change of investment strategy and resulting a gain on disposal of RMB21,053,000. In addition, the Group made contributions to various associates with an aggregate amount of approximately RMB152,609,000 (2022: RMB2,370,021,000).

As at 31 December 2023 and 2022, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2023	2022	2023	2022	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Shandong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material")* 山東創新炭材料有限公司	Incorporated	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Trading of carbon
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy Ener") 鄒平濱能能源科技有限公司	Incorporated	PRC	PRC	Ordinary	**37.5% (note i)**	45%	**37.5% (note i)**	45%	Trading of electricity
Lightweight (Shandong) Investment Partnership (Limited Partnership)* ("Lightweight Partnership") 輕量化(山東)投資合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	**49.5%**	49.5%	**49.5%**	49.5%	Investment holding
Beijing Honghua Science and Technology Innovation No. 1 Enterprise Management Partnership (Limited Partnership)* (Beijing Honghua Partnership) 北京宏華科創一號企業管理合夥企業(有限合夥)(note ii)	Incorporated	PRC	PRC	Ordinary	**46.7%**	46.7%	**46.7%**	46.7%	Investment holding

Note:

i. During the year ended 31 December 2023, the Group's equity interest in an associate, Binneng Energy, was diluted from 45% to 37.5% due to the capital injections by the new equity holders of the associate.

ii. During the year ended 31 December 2023, the Group received a capital refund of approximately RMB550,250,000 from this associate.

* The English translation is for reference only.

20. INTERESTS IN ASSOCIATES (Continued)

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

ABM

	2023 RMB'000	2022 RMB'000
Current assets	**10,950,481**	11,291,743
Non-current assets	**492**	562
Current liabilities	**(2,052,094)**	(2,103,461)
Non-current liabilities	**(8,188,415)**	(766,106)
Revenue	**15,751,187**	8,626,720
Profit for the year	**3,593,184**	1,747,531
Other comprehensive income for the year	**70,008**	643,257
Total comprehensive income for the year	**3,663,192**	2,390,788
Dividends received from the associate during the year	**(2,843,867)**	–
Elimination of unrealised profits	**(64,409)**	(42,377)

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

	2023 RMB'000	2022 RMB'000
Net assets of the associate	**710,464**	8,422,738
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**177,616**	2,105,685

Binneng Energy

	2023 RMB'000	2022 RMB'000
Non-current assets	**11,724,817**	11,316,655
Current assets (note)	**14,394,972**	10,562,414
Non-current liabilities	**(5,957,650)**	(7,259,575)
Current liabilities	**(6,325,643)**	(3,808,131)
Revenue	**14,343,389**	14,997,738
Profit for the year and total comprehensive income for the year	**862,861**	114,791
Elimination of unrealised profits	**(18,418)**	–

20. INTERESTS IN ASSOCIATES (Continued)

Binneng Energy (Continued)

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

	2023 RMB'000	2022 RMB'000
Net assets of the associate	**13,836,496**	10,811,363
Proportion of the Group's ownership interest in Binneng Energy	**37.5%**	45%
Carrying amount of the Group's interest in Binneng Energy	**5,188,686**	4,865,113

Note: As at 31 December 2022, the balances mainly comprised of receivable of unpaid registered capital by another shareholder amounting to RMB2,750,000,000. The entire amount of receivable has been settled in February and March 2023.

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	2023 RMB'000	2022 RMB'000
The Group's share of profit	**62,745**	61,813
The Group's share of other comprehensive expense	**5,205**	17,106
The Group's share of total comprehensive income	**67,950**	78,919
Elimination of realised profits	**(8,528)**	(4,640)

	2023 RMB'000	2022 RMB'000
Carrying amount of the Group's interests in immaterial associates	**1,199,456**	1,515,084

21. LOAN TO AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Non-current portion		
Loan to an associate	**2,000,000**	2,000,000

The loan to an associate was secured by certain plant and equipment held by the respective associate, bearing interest at 6% (2022: 6%) per annum and repayable in June 2025.

22. GOODWILL

	2023 RMB'000	2022 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
IMPAIRMENT		
At beginning and the end of the financial year	**1,656,233**	1,656,233
CARRYING AMOUNT		
At 31 December	**278,224**	278,224

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

Impairment test on goodwill

For the purposes of impairment testing, the carrying amount of goodwill has been allocated to the following CGUs:

	2023 RMB'000	2022 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Binzhou Municipal Xinhe New Material Co., Ltd* ("Beihai Xinhe") 濱州市北海信和新材料有限公司)	**–**	–
Manufacture and selling of aluminum products in Binzhou, the PRC (Binzhou Hongnuo New Material Co., Ltd* ("Binzhou Hongnuo New Material") 濱州市宏諾新材料有限公司)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**197,806**	197,806
	278,224	278,224

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

* The English translation is for reference only.

22. GOODWILL (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Binzhou Hongnuo New Material

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a pre-tax discount rate of 21.33% (2022: 20.94%). Binzhou Hongnuo New Material's cash flows beyond the 5-year period are extrapolated using a 3% growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry.

Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Binzhou Hongnuo New Material to exceed the aggregate recoverable amount of Binzhou Hongnuo New Material.

During the years ended 31 December 2023 and 2022, no impairment loss recognised in relation to goodwill arising on acquisition of Binzhou Hongnuo New Material.

Hongchuang

The recoverable amount of this CGU has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang and relevant transaction costs.

The fair value hierarchy as at 31 December 2023 and 2022 of Hongchuang are at Level 1. There were no transfers between levels of fair value hierarchy during the year.

During the years ended 31 December 2023 and 2022, no impairment loss was recongised in relation to goodwill arising on acquisition of Hongchuang.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	2023 **RMB'000**	2022 RMB'000
Equity instruments as at FVTOCI		
– Listed	**1,306,966**	1,442,588
– Unlisted	**94,412**	100,000
	1,401,378	1,542,588

The fair values of these investments are disclosed in note 46(g).

The investments in listed equity securities are as follows:

Name of listed equity securities	**Place of listing**	**Fair value**	
		2023 **RMB'000**	2022 RMB'000
Weihai City Commercial Bank Co., Ltd	Hong Kong	**708,065**	761,672
Bank of Jinzhou	Hong Kong	**169,593**	166,243
Innovation New Material Technology Co., Ltd.	Shanghai	**218,459**	264,244
Thunder Software Technology Co., Ltd.	Shenzhen	**209,866**	249,446
Others	Hong Kong	**983**	983
		1,306,966	1,442,588

During the year ended 31 December 2022, the Group acquired equity interest in a private entity established in the PRC of approximately RMB100,000,000 (2023: nil). The private entity is engaged in development and application of semiconductor materials.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

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

	2023 RMB'000	2022 RMB'000
Financial assets at FVTPL		
– Limited partnerships	**11,725,159**	–

The fair values of these investments are disclosed in note 46(g).

The directors of the Company consider that the Group does not have any control nor significant influence to affect the variable returns through its investment in those enterprises or similar activities.

25. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**22,371,825**	25,599,366
Work in progress	**9,321,631**	10,266,517
Finished goods	**2,264,999**	1,401,737
	33,958,455	37,267,620

During the year ended 31 December 2023, write-down of inventories of approximately RMB126,282,000 (2022: RMB104,127,000) has been recognised and included in other expenses and reversal of provision of approximately RMB8,195,000 (2022: RMB20,417,000) has been recognised and included in other income and gains due to increase of net realisable value of certain inventories in subsequent period.

During the year ended 31 December 2023, inventories previously impaired were sold or used. As a result, a reversal of provision of approximately RMB143,953,000 (2022: RMB179,625,000) has been recognised and included in cost of sales.

26. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**5,496,090**	4,617,414
Less: allowance for impairment losses	**(7,339)**	(6,719)
	5,488,751	4,610,695

As at 1 January 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB7,292,695,000.

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

	2023 RMB'000	2022 RMB'000
Within 3 months	**4,883,108**	4,009,740
3 to 12 months	**601,815**	597,180
12 to 24 months	**3,828**	3,775
	5,488,751	4,610,695

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant. As at 31 December 2023, lifetime ECL of approximately RMB7,339,000 (2022: RMB6,719,000) was made in respect of trade receivables with gross amount of RMB7,339,000 (2022: RMB6,719,000) as they are determined to be credit-impaired which aged over 3 years. For the remaining balance of approximately RMB5,488,751,000 (2022: RMB4,610,695,000), the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables. However, no loss allowance was made on these receivables as the identified impairment loss is immaterial.

26. TRADE RECEIVABLES (Continued)

The provision matrix of trade receivables is set out below:

For the year ended 31 December 2023

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0.024%	0.134%	0.219%	100%	100%	
Gross carrying amount (RMB'000)	5,277,980	134,324	72,619	3,828	620	6,719	5,496,090
Lifetime ECL (RMB'000)	–	–	–	–	(620)	(6,719)	(7,339)
Net amount (RMB'000)	5,277,980	134,324	72,619	3,828	–	–	5,488,751

For the year ended 31 December 2022

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0.001%	0.001%	0.011%	20.045%	100%	
Gross carrying amount (RMB'000)	4,495,349	105,083	6,488	3,775	–	6,719	4,617,414
Lifetime ECL (RMB'000)	–	–	–	–	–	(6,719)	(6,719)
Net amount (RMB'000)	4,495,349	105,083	6,488	3,775	–	–	4,610,695

The movement in the allowance for impairment of trade receivables is set out below:

	2023 RMB'000	2022 RMB'000
At 1 January	6,719	7,942
Reversal of impairment loss	–	(1,223)
Impairment loss recognised	620	–
At 31 December	7,339	6,719

27. BILLS RECEIVABLES

	2023 **RMB'000**	2022 RMB'000
Bills receivables	**4,977,642**	5,573,175

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

	2023 **RMB'000**	2022 RMB'000
Within 3 months	**3,292,402**	3,465,918
3 to 6 months	**1,684,399**	2,007,257
Over 6 months	**841**	100,000
	4,977,642	5,573,175

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no loss allowance was provided on the Group's bills receivables for the years ended 31 December 2023 and 2022.

28. PREPAYMENTS AND OTHER RECEIVABLES

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

	2023 RMB'000	2022 RMB'000
Prepayments to suppliers	**4,149,075**	5,649,621
Prepayments to an associate (note (i))	**929,989**	661,035
Value-added tax recoverable	**2,275,719**	2,968,063
Prepayment for capital injection to the partnership (note (ii))	**–**	2,500,000
Receivables arising from dealing with futures	**404,455**	213,591
Factoring receivables (note (iii))	**582,210**	386,147
Interest receivables	**300,507**	68,587
Others	**129,266**	131,537
	8,771,221	12,578,581
Less: allowance for impairment losses	**(23,417)**	(27,020)
	8,747,804	12,551,561
Analysed as		
Current	**8,747,804**	10,051,561
Non-current	**–**	2,500,000
	8,747,804	12,551,561

Notes:

(i) On 21 June 2019, the Group entered into an electricity procurement agreement with an associate of the Group, pursuant to which the Group agreed to provide a prepayment to the associate for the supply of electricity.

(ii) As at 31 December 2022, the Group has subscribed Binzhou Wenxian with a consideration of RMB2,500,000,000. The subscription was completed on 29 January 2023 and reclassified to financial assets at FVTPL.

(iii) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.

28. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows:

For the year ended 31 December 2023

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	**23,116**	**(23,116)**	**–**
Other receivables – Performing	**1,393,322**	**(301)**	**1,393,021**
	1,416,438	**(23,417)**	**1,393,021**

For the year ended 31 December 2022

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	26,441	(26,441)	–
Other receivables – Performing	773,421	(579)	772,842
	799,862	(27,020)	772,842

The movement in the impairment allowance for other receivables during the year are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**27,020**	26,938
Reversal of impairment loss	**(3,603)**	–
Impairment loss recognised	**–**	82
At 31 December	**23,417**	27,020

29. FINANCIAL ASSET AT AMORTISED COST

	2023 RMB'000	2022 RMB'000
Financial asset at amortised cost		
Collective investment trust A (note i)	**–**	2,499,000
Collective investment trust B (note ii)	**2,494,000**	–
	2,494,000	2,499,000

Note i: The collective investment trust A represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust") 中信信託有限責任公司 and will be matured on 3 January 2025. The asset income trust carries fixed interest rate of 5.78% per annum. During the year ended 31 December 2023, CITIC Trust early terminated the collective investment trust A in full at their principal amount together with investment income accumulated to the termination date.

Note ii: The collective investment trust B represents asset income trust with 2,494,000,000 units at RMB1 per unit issued by CITIC Trust and will be matured on 13 January 2028. The asset income trust carries fixed interest rate of 5.78% per annum.

30. OTHER FINANCIAL ASSET

	2023 RMB'000	2022 RMB'000
Other financial asset		
Interest rate swaps contract	**–**	2,122

Major terms of the interest rate swaps are as follows:

31 December 2022

Notional amount	Maturity	Swaps
US$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US$-LIBOR

* The English translation is for reference only.

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**31,721,122**	27,384,542
Restricted bank deposits	**1,826,579**	1,720,058
	33,547,701	29,104,600
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,295,834)**	(1,293,305)
– pledged for issuance of letter of credit	**(513,871)**	(349,210)
– pledged for guarantee issued	**(16,874)**	(77,543)
Cash and cash equivalents	**31,721,122**	27,384,542

Cash and cash equivalents are principally RMB-denominated deposits placed with banks in the PRC. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The bank balances and short-term time deposits are deposited with creditworthy banks with no recent history of default.

Bank balances and short-term time deposits carry interest at market rates which ranged from 0.05% to 1.71% (2022: 0.06% to 1.70%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate ranged from 0.05% to 1.76% (2022: 0.06% to 1.75%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 46(d).

32. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2023 RMB'000	2022 RMB'000
Changes in fair values of arising from:		
– interest rate swaps contracts	**–**	2,023
– derivatives component of convertible bonds (note 40)	**(49,044)**	(187,004)
	(49,044)	(184,981)

33. TRADE AND BILLS PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables to third parties	**10,764,251**	10,166,118
Trade payables to associates	**648,596**	2,457,710
Trade payables to related parties	**103,167**	70,003
	11,516,014	12,693,831
Bills payables	**132,262**	2,217,171
	11,648,276	14,911,002

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period;

	2023 RMB'000	2022 RMB'000
Within 6 months	**10,856,474**	11,980,729
6 to 12 months	**400,421**	443,244
1 to 2 years	**229,088**	235,369
More than 2 years	**30,031**	34,489
	11,516,014	12,693,831

The trade payables are non-interest bearing and are normally settled on a credit term of six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Bills payables were bills of acceptance with maturity of less than one year.

34. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Payables on property, plant and equipment	**4,500,509**	4,738,260
Retention payables	**1,886,383**	2,142,218
Accrued payroll and welfare (note (i))	**972,811**	952,284
Contract liabilities (note (ii))	**1,203,660**	1,757,470
Dividend payables	**6**	11
Interest payable	**547,652**	486,456
Other taxes payables	**921,970**	1,562,547
Others	**570,306**	717,912
	10,603,297	12,357,158

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2023 were accrued directors payroll and welfare of approximately RMB4,532,000 (2022: RMB4,200,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) Contract liabilities include advances received to deliver goods. As at 1 January 2022, contract liabilities amounted to RMB1,767,103,000.

Revenue recongised during the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is approximately RMB1,757,470,000 (2022: RMB1,767,103,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior years.

35. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Current		
Secured bank borrowings (note (iii))	**11,343,001**	7,990,204
Unsecured bank borrowings (note (i))	**19,146,207**	22,543,646
	30,489,208	30,533,850
Non-current		
Secured bank borrowings (note (iii))	**1,194,862**	842,748
Unsecured bank borrowings (note (i))	**7,427,046**	4,151,161
	8,621,908	4,993,909
	39,111,116	35,527,759

35. BANK BORROWINGS (Continued)

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

	2023 RMB'000	2022 RMB'000
Within one year	**30,489,208**	30,533,850
In the second year	**2,219,862**	2,574,570
In the third to fifth years, inclusive	**4,381,137**	940,000
Over fifth years	**2,020,909**	1,479,339
	39,111,116	35,527,759

	2023 RMB'000	2022 RMB'000
Amounts shown under current liabilities	**30,489,208**	30,533,850
Amounts shown under non-current liabilities	**8,621,908**	4,993,909
	39,111,116	35,527,759

	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings	**28,499,674**	25,178,310
Variable-rate borrowings	**10,611,442**	10,349,449
	39,111,116	35,527,759

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**4.35% to 7.50%**	1.53% to 5.67%
Variable-rate borrowings	**4.00% to 8.25%**	3.60% to 9.29%

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

35. BANK BORROWINGS (Continued)

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
US$	**998,590**	7,623,820

Notes:

(i) Unsecured bank borrowings of approximately RMB3,600,000,000 (2022: RMB4,689,242,000) are guaranteed by related parties and set out in note 51(c).

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

	2023 RMB'000	2022 RMB'000
Floating rate		
– expiring within one year	**31,775,345**	26,998,583

(iii) Secured bank borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 16 and 17 respectively.

36. OTHER FINANCIAL LIABILITY

On 21 December 2023, Shandong Hongtuo Industrial Company Limited ("Shandong Hongtuo")* 山東宏拓實業有限公司, a subsidiary of the Company, entered into various capital contribution agreements with the investors for the capital contributions (at an aggregate cash consideration of RMB2,962,600,000. Details of the capital contributions are set out in the Company's announcements dated 21 December 2023.

Pursuant to the capital contributions from investors as mentioned above, a redemption right is granted by Company to each investor.

Each investor shall have the right to request Shandong Weiqiao Aluminum & Power Co., Ltd.* ("Shandong Weiqiao") 山東魏橋鋁電有限公司, Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao"), which are the subsidiaries of the Company, or other related parties designated by Shandong Weiqiao other than the Shandong Hongtuo and Shandong Hongqiao (one or more parties, singly or collectively, the "Repurchase Obligor(s)") to repurchase all of their equity interests in Shandong Hongtuo at the redemption price, if any of the triggering events occurs during the redemption period, which commenced from the date of the completion of each capital contribution to or before 31 December 2026.

The key triggering events included:

(i) Shandong Hongtuo fails to conduct an initial public offering and the listing of its securities on the Stock Exchange in the PRC after 36 months of capital contribution, unless such failure was a result of non-cooperation by the Investors or any force majeure events as set out in the capital contributions agreements; and

(ii) Fails to fulfill dividend distribution policy (i.e. 30% of distributable profit) and anti-dilution compensation (i.e. subscription price for new registered capital cannot lower than this capital contributions) as set out in the capital contributions agreements.

* The English translation is for reference only.

36. OTHER FINANCIAL LIABILITY (Continued)

The redemption price was the principal amount plus accrued interest, being 6% per annum calculated from the date of the completion of each capital contribution to the date of receipt of the redemption price from each investors, less any dividends income received by each investor as the shareholders of Shandong Hongtuo.

In the opinion of the directors of the Company, except for the success listing of Shandong Hongtuo, the Group has the control of all other triggering events and does not expect redemption will occur within next twelve months from the end of the reporting period.

The redemption right constituted a contract that contains an obligation for the Group to repurchase the equity instruments of the subsidiaries of the Company gives rise to a redemption financial liability recognised at the present value of the redemption price, being RMB2,962,600,000, and subsequently measured at amortised cost. The movement in the redemption financial liability are as follow:

	2023 **RMB'000**
At 1 January	**–**
Capital contribution from the investor	**2,962,600**
Interest expense (note 9)	**2,595**
At 31 December	**2,965,195**

37. SHORT-TERM DEBENTURES AND NOTES

	2023 **RMB'000**	2022 RMB'000
Short-term debentures and notes	**7,000,000**	3,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2023 and 2022 are set out as follows:

Debentures	**Date of issue**	**Principal amount**		**Interest rate**	**Date of maturity**
		2023 **RMB'000**	2022 RMB'000		
Short-term debentures C	22 July 2022	**–**	1,000,000	3.55%	22 July 2023
Short-term debentures D	19 August 2022	**–**	1,000,000	3.47%	19 August 2023
Short-term debentures E	23 September 2022	**–**	1,000,000	3.69%	23 September 2023
Short-term debentures F	16 February 2023	**1,000,000**	–	4.60%	16 February 2024
Short-term debentures G	10 March 2023	**1,000,000**	–	4.50%	10 March 2024
Short-term debentures H	24 May 2023	**1,000,000**	–	4.18%	24 May 2024
Short-term debentures I	12 July 2023	**1,000,000**	–	4.47%	12 July 2024
Short-term debentures J	23 August 2023	**1,000,000**	–	4.20%	23 August 2024
Short-term debentures K	22 September 2023	**1,000,000**	–	4.21%	22 September 2024
Short-term debentures L	28 November 2023	**1,000,000**	–	4.00%	28 November 2024

The short-term debentures and notes were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investors ("NAFMII"). Interest is payable annually.

38. MEDIUM-TERM DEBENTURES AND BONDS

	2023 RMB'000	2022 RMB'000
Amounts due within one year	**8,116,930**	8,507,112
Amounts due after one year	**3,206,332**	5,960,847
	11,323,262	14,467,959

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2023 and 2022 are set out as follows:

Debentures	Date of issue	Principal amount 2023 RMB'000	Principal amount 2022 RMB'000	Coupon interest rate	Effective interest rate	Date of maturity
Unlisted						
Medium-term debentures Q	14 January 2022	**1,000,000**	1,000,000	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	**1,000,000**	1,000,000	4.50%	4.80%	18 March 2024
Medium-term debentures S	30 March 2023	**300,000**	–	4.82%	4.82%	30 March 2025
Medium-term debentures T	13 April 2023	**1,000,000**	–	4.96%	4.82%	13 April 2025
Medium-term debentures U	16 June 2023	**600,000**	–	5.00%	4.82%	16 June 2025
Medium-term debentures V	28 July 2023	**720,000**	–	4.96%	4.82%	28 July 2025
Medium-term debentures W	21 August 2023	**300,000**	–	4.95%	4.82%	21 August 2025
Medium-term debentures X	26 December 2023	**300,000**	–	4.82%	4.82%	26 December 2025
Listed						
Enterprise bonds K	17 October 2016	**–**	5,521,045	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	**2,000,000**	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds M	11 June 2021	**–**	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	**500,000**	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	**1,000,000**	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	**1,000,000**	1,000,000	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	**1,000,000**	1,000,000	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	**620,000**	1,000,000	4.00%	4.12%	3 November 2027

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate.

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

Interest is payable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

39. GUARANTEED NOTES

	2023 RMB'000	2022 RMB'000
Amounts shown under current liabilities	**3,511,821**	1,392,893
Amounts shown under non-current liabilities	**–**	3,450,755
	3,511,821	4,843,648

2023 Guaranteed Notes

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

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company and select one of the calculation of redemption price set forth below:

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2023 Guaranteed Notes on 2 May 2023, plus all required remaining scheduled interest payments due on the 2023 Guaranteed Notes through 2 May 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 2 May 2023, the Company may at its option redeem the 2023 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 2 May 2023, the Company may redeem up to 35% of the 2023 Guaranteed Notes, at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2023 Guaranteed Notes on date of issuance was net of issue expenses of US$2,700,000 (equivalent to approximately RMB19,097,000) and the effective interest rate of the 2023 Guaranteed Notes is 7.81% per annum.

On 2 May 2023, the Company has redeemed the 2023 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

39. GUARANTEED NOTES (Continued)

2024 Guaranteed Notes

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,230,050,000) (the “2024 Guaranteed Notes”) which were guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will be matured on 8 June 2024. The 2024 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2024 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2024 Guaranteed Notes may/will be redeemed by the Company and select one of the calculation of redemption price set forth below:

Period	Redemption price
Prior to 8 June 2024	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 8 June 2024	106.25% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2024 Guaranteed Notes on 8 June 2024, plus all required remaining scheduled interest payments due on the 2024 Guaranteed Notes through 8 June 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 8 June 2024, the Company may at its option redeem the 2024 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 8 June 2024, the Company may redeem up to 35% of the 2024 Guaranteed Notes, at a redemption price of 106.25% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2024 Guaranteed Notes on date of issuance was net of issue expenses of US$4,279,000 (equivalent to approximately RMB27,203,000) and the effective interest rate of the 2024 Guaranteed Notes is 6.52% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition and year end date.

40. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds ("2017 CBs") bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US$320,000,000. The 2017 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.16 per share with fixed exchange rate of HK$7.8212 equal to US$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds ("2021 CBs") bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US$300,000,000. The 2021 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.91 per share with fixed exchange rate of HK$7.7530 equal to US$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

On 31 May 2022, as a result of the Company's declaration of final dividend, the conversion price of the 2021 CBs was adjusted from HK$8.12 to HK$7.63 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 21 November 2022, as a result of the Company's declaration of interim dividend, the conversion price of the 2021 CBs was adjusted from HK$7.63 to HK$7.24 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 31 May 2023, as a result of the Company's declaration of final dividend, the conversion price of the 2021 CBs was adjusted from HK$7.24 to HK$7.15 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

40. CONVERTIBLE BONDS (Continued)

On 24 November 2023, as a result of the Company's declaration of interim dividend, the conversion price of the 2021 CBs was adjusted from HK$7.15 to HK$6.82 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2023, the principal amount of the 2021 CBs that remained outstanding amounted to US$300,000,000 (2022: US$300,000,000) of which a maximum of 341,041,055 (2022: 321,256,906) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022, 21 November 2022, 31 May 2023 and 24 November 2023.

The movements of the liability and derivatives components of the 2017 CBs and 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2017 CBs RMB'000	**Derivative component of 2017 CBs** RMB'000	**Liability component of 2021 CBs** RMB'000	**Derivative component of 2021 CBs** RMB'000	**Total** RMB'000
As at 1 January 2022	1,358,611	713,086	1,633,747	241,270	3,946,714
Conversion into shares of the Company (note 43)	(1,487,157)	(744,050)	–	–	(2,231,207)
Change in fair values (note 32)	–	–	–	187,004	187,004
Effective interest expenses (note 9)	84,968	–	142,409	–	227,377
Interest paid	(15,416)	–	(89,705)	–	(105,121)
Exchange translation	58,994	30,964	144,076	28,736	262,770
As at 31 December 2022	**–**	**–**	**1,830,527**	**457,010**	**2,287,537**
Change in fair values (note 32)	**–**	**–**	**–**	**49,044**	**49,044**
Effective interest expenses (note 9)	**–**	**–**	**182,338**	**–**	**182,338**
Interest paid	**–**	**–**	**(54,813)**	**–**	**(54,813)**
Exchange translation	**–**	**–**	**5,515**	**15,865**	**21,380**
As at 31 December 2023	**–**	**–**	**1,963,567**	**521,919**	**2,485,486**

40. CONVERTIBLE BONDS (Continued)

During the year ended 31 December 2022, 354,186,076 (2023: nil) ordinary shares of the Company were issued as a result of the conversion of 2017 CBs with principal amount of US$246,400,000 (2023: nil). No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs for both years.

At 31 December 2023 and 2022, the fair value of the derivative component was valued by Asia-Pacific Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair value of the derivative component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the binomial option pricing model. The changes in fair value of the derivative component of convertible bonds were recognised in the profit or loss. The inputs into the model were as follows:

	2021 CBs	
	At 31 December 2023	At 31 December 2022
Share price	HK$6.39	HK$7.37
Conversion price	HK$6.82	HK$7.24
Expected volatility	46.32%	42.46%
Expected life	2.07 years	3.07 years
Risk free rate	4.12%	4.21%
Expected dividend yield	3.92%	5.83%

41. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for the financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**2,990,023**	2,605,197
Deferred tax liabilities	**(363,704)**	(523,795)
	2,626,319	2,081,402

41. DEFERRED TAXATION (Continued)

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

	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Income tax facility RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provisions RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2022	183,644	771,861	114	(589,717)	1,522,415	110,556	19,762	(224,281)	8,598	1,802,952
Acquired on acquisition from subsidiaries (note 47)	–	–	–	–	–	–	–	(12,764)	–	(12,764)
(Charged) credited to profit or loss	(62,768)	(82,795)	(114)	231,620	157,666	(11,978)	(13,569)	71,347	1,805	291,214
At 31 December 2022 and 1 January 2023	**120,876**	**689,066**	**-**	**(358,097)**	**1,680,081**	**98,578**	**6,193**	**(165,698)**	**10,403**	**2,081,402**
(Charged) credited to profit or loss	**(27,279)**	**41,658**	**-**	**87,609**	**378,675**	**(11,225)**	**1,024**	**72,482**	**1,973**	**544,917**
At 31 December 2023	**93,597**	**730,724**	**-**	**(270,488)**	**2,058,756**	**87,353**	**7,217**	**(93,216)**	**12,376**	**2,626,319**

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,809,657,000 (2022: RMB4,627,740,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,922,896,000 (2022: RMB2,756,264,000) of such losses that will expire within next five years. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB2,232,501,000 (2022: RMB1,903,813,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,664,634,000 (2022: RMB1,462,394,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB567,867,000 (2022: RMB441,419,000) may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB85,002,136,000 (2022: RMB74,867,227,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

42. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants related to property, plant and equipment		
– Current liabilities	**35,290**	36,684
– Non-current liabilities	**1,475,183**	794,292
	1,510,473	830,976

As at 31 December 2023, the Group received government subsidies of approximately RMB724,395,000 (2022: RMB16,993,000) towards the cost of certain construction projects. The amount has been treated as deferred income and is transferred to income over the useful lives of relevant plant and machineries. This policy has resulted in a credit to income in the current year of approximately RMB44,898,000 (2022: RMB47,910,000).

43. SHARE CAPITAL

	Number of shares		Share Capital	
	2023	2022	2023 US$	2022 US$
Authorised:				
Ordinary shares of US$0.01 each	**20,000,000,000**	20,000,000,000	**200,000,000**	200,000,000

	2023	2022	2023 US$	2022 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**9,475,538,425**	9,475,538,425	**94,755,384**	94,755,384

	Number of shares	Share Capital RMB'000
Issued and fully paid:		
At 1 January 2022	9,121,352,349	595,139
Issue of shares upon conversion of 2017 CBs (note (i))	354,186,076	23,742
At 31 December 2022 and 31 December 2023	**9,475,538,425**	**618,881**

Note:

(i) During the year ended 31 December 2022, 2017 CBs with principal amounts of US$92,800,000, US$55,000,000 and US$98,600,000 was converted into 141,482,916, 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK$5.13, HK$5.41 and HK$5.79 per ordinary share, respectively.

43. SHARE CAPITAL (Continued)

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2022: nil).

44. RESERVES

(a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong Weiqiao Chuangye Group Company Limited ("Weiqiao Chuangye") 山東魏橋創業集團有限公司 in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; (v) share of capital reserve of an associate and subsidiaries from Shandong Innovation Carbon New Material Co., Ltd.* ("Innovation Carbon New Material") 山東創新炭材料有限公司; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(b) Statutory surplus reserve

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

(c) Translation reserve

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

(d) Investment revaluation reserve

Investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

* The English translation is for reference only.

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 35, 37, 38, 39 and 40, and net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 43, share premium and reserves in the consolidated statement of financial position.

Management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, raise of new capital and share buy-backs as well as the issuance of new debt.

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 **RMB'000**	2022 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**54,369,789**	46,371,108
Financial assets at FVTPL	**11,725,159**	2,122
Financial assets at FVTOCI	**1,401,378**	1,542,588
Financial liabilities		
Financial liabilities at amortised cost	**86,000,904**	83,618,036
Financial liabilities at FVTPL	**521,919**	457,010

46. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables, financial assets at FVTPL, restricted bank deposits, cash and cash equivalents, financial asset at amortised cost, financial assets at FVTOCI, loans to associates, trade and bills payables, other payables and accruals, other financial liability, bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

(i) Currency risk

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

	Exposure to foreign currencies					
	2023			2022		
	USD	**HK$**	**IDR**	USD	HK$	IDR
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Other receivables	**294,891**	**–**	**–**	64,417	–	–
Cash and cash equivalents	**1,024,492**	**33,189**	**69,430**	523,823	60,056	126,289
Other financial asset	**–**	**–**	**–**	2,122	–	–
Trade payables	**78,445**	**–**	**–**	2,171,252	–	–
Other payables and accruals	**–**	**–**	**–**	527,409	–	–
Bank borrowings	**998,590**	**31,299**	**–**	5,142,981	–	–
Liability component of convertible bonds	**1,963,567**	**–**	**–**	1,830,527	–	–
Guaranteed notes	**3,511,821**	**–**	**–**	4,843,648	–	–

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 3% (2022: 1%) increase and decrease in RMB against the relevant foreign currencies. 3% (2022: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit where RMB strengthen 3% (2022: 1%) against the relevant currency. For a 3% (2022: 1%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	2023 **RMB'000**	2022 RMB'000
Effect on post-tax profit:		
US$	**133,538**	115,898
HK$	**(47)**	(501)
IDR	**(1,625)**	(985)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, other financial liability, liability component of convertible bonds, short-term debentures and notes, medium-term debentures and bonds and guaranteed notes. The Group aims at keeping borrowings at fixed rates.

The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and variable-rate bank borrowings, and mainly concentrated on the fluctuation of interest rate quoted from the CFETS, PBOC and SOFR on the bank borrowings.

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

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period were outstanding for the whole year. A 25 basis points (2022: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2022: 25 basis points) higher/lower and all other variables were held constant:

	2023 **RMB'000**	2022 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(36,988)**	(29,193)
As a result of decrease in interest rate	**36,988**	29,193

This is mainly attributable to the Group's exposure to interest rates on its interest bearing restricted bank deposits and bank balances and variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is concentrated on equity instruments operating in bank industry, industrial metals and mining industry and technology industry sector quoted in the Stock Exchange. For unquoted equity security designated as FVTOCI, the investee is operating in semiconductor industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the quoted equity instrument had been 10% (2022: 10%) higher/lower, other comprehensive income for the year ended 31 December 2023 would increase/decrease by approximately RMB130,697,000 (2022: RMB144,259,000) as a result of the changes in fair value of financial assets at FVTOCI.

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

If the P/B multiples of the unquoted equity instrument had been 10% (2022: 10%) higher/lower, other comprehensive income for the year ended 31 December 2023 would increase/decrease by approximately RMB9,441,000 (2022: RMB11,412,000) as a result of the changes in fair value of financial assets at FVTOCI.

(d) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position

The credit risk of the Group mainly arises from loans to associates, financial asset at amortised cost, trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

Management considered loans to an associates to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The credit risk on liquid funds and financial assets at amortised cost are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables**	**Other financial assets**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2023

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	**5,496,090**	**(7,339)**	**5,488,751**
Bills receivables (note 2)	Performing	12-month ECL	**4,977,642**	**–**	**4,977,642**
Other receivables	Performing	12-month ECL	**1,393,322**	**(301)**	**1,393,021**
Other receivables	Default	Lifetime ECL – credit-impaired	**23,116**	**(23,116)**	**–**
Collective investment trust	Performing	12-month ECL	**2,494,000**	**–**	**2,494,000**
Restricted bank deposits	Performing	12-month ECL	**1,826,579**	**–**	**1,826,579**
Cash and cash equivalents	Performing	12-month ECL	**31,721,122**	**–**	**31,721,122**
Loans to associates (note 3)	Performing	12-month ECL	**6,468,674**	**–**	**6,468,674**
			54,400,545	**(30,756)**	**54,369,789**

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2022

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	4,617,414	(6,719)	4,610,695
Bills receivables (note 2)	Performing	12-month ECL	5,573,175	–	5,573,175
Other receivables	Performing	12-month ECL	773,421	(579)	772,842
Other receivables	Default	Lifetime ECL – credit-impaired	26,441	(26,441)	–
Collective investment trust	Performing	12-month ECL	2,499,000	–	2,499,000
Restricted bank deposits	Performing	12-month ECL	1,720,058	–	1,720,058
Cash and cash equivalents	Performing	12-month ECL	27,384,542	–	27,384,542
Loans to associates (note 3)	Performing	12-month ECL	3,810,796	–	3,810,796
			46,404,847	(33,739)	46,371,108

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.

2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.

3. For the loans to associates, the Group regularly monitors the business performance of the associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities, the collateral and the power to participate the relevant activities of these entities and thus the impairment provision recognised during the year was limited to 12-month ECL.

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 11% (2022: 11%) and 41% (2022: 45%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2022: 98%) of the total receivables as at 31 December 2023.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from the top major bank represented 8% (2022: 8%) of the total bills receivables as at 31 December 2023. In addition, the Group's bills receivables from the top five major banks represented 28% (2022: 29%) of the total bills receivables as at 31 December 2023.

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

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. Other than the cash generated from operating activities, the Group's management is responsible for obtaining funding from other sources, including guaranteed notes, convertible bonds, bank borrowings, medium-term debentures and bonds and issue of new shares. The management also monitors the recognisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

46. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	4.93	23,565,959	1,541,081	3,822,076	-	28,929,116	28,499,674
Floating-rate bank borrowings	4.89	6,929,832	817,421	1,137,273	2,027,894	10,912,420	10,611,442
Medium-term debentures and bonds	4.87	7,057,427	5,387,913	-	-	12,445,340	11,323,262
Short-term debentures and notes	2.13	7,149,248	-	-	-	7,149,248	7,000,000
Other financial liability	6.00	-	-	3,495,868	-	3,495,868	2,965,195
Trade and bills payables	-	11,648,276	-	-	-	11,648,276	11,648,276
Other payables (exclude contract liabilities and other tax payables)	-	8,477,667	-	-	-	8,477,667	8,477,667
Guaranteed notes	7.81	3,638,373	-	-	-	3,638,373	3,511,821
Convertible bonds	9.87	110,050	109,749	2,098,278	-	2,318,077	1,963,567
		68,576,832	7,856,164	10,553,495	2,027,894	89,014,385	86,000,904
Lease liabilities	6.33	44,997	30,487	95,654	858,671	1,029,809	954,658

46. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	4.55	24,322,167	777,723	888,871	–	25,988,761	25,178,310
Floating-rate bank borrowings	7.19	6,945,596	2,113,977	686,304	2,314,334	12,060,211	10,349,449
Medium-term debentures and bonds	4.68	9,307,796	6,173,685	–	–	15,481,481	14,467,959
Short-term debentures and notes	3.57	3,107,100	–	–	–	3,107,100	3,000,000
Trade and bills payables	–	14,911,002	–	–	–	14,911,002	14,911,002
Other payables (exclude contract liabilities and other tax payables)	–	9,037,141	–	–	–	9,037,141	9,037,141
Guaranteed notes	6.89	1,645,750	3,579,555	–	–	5,225,305	4,843,648
Convertible bonds	9.87	109,750	109,749	2,208,328	–	2,427,827	1,830,527
		69,386,302	12,754,689	3,783,503	2,314,334	88,238,828	83,618,036
Lease liabilities	6.26	19,161	14,492	10,494	42,980	87,127	67,916

The amounts included above of floating interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(f) Interest rate benchmark reform

As at 31 December 2022, the Group had bank borrowing of RMB4,590,811,000 which carried interest at 6-months USD LIBOR. During the year ended 31 December 2023, such borrowings was transitioned to SOFR. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

As at 31 December 2022, the Group had loan to WSCR of RMB1,044,690,000 which carried interest at 5% above 3-months USD LIBOR. During the year ended 31 December 2023, such loan was transitioned to SOFR. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

46. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2023			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL				
Limited partnerships	**–**	**–**	**11,725,159**	**11,725,159**
Financial assets at FVTOCI				
Unlisted equity instruments	**–**	**–**	**94,412**	**94,412**
Listed equity instruments	**1,306,966**	**–**	**–**	**1,306,966**
	1,306,966	**–**	**94,412**	**1,401,378**
Financial liabilities at FVTPL				
Derivative component of convertible bonds	**–**	**–**	**521,919**	**521,919**

	31 December 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Derivative financial liabilities				
– Interest rate swap contracts	–	2,122	–	2,122
Unlisted equity instruments	–	–	100,000	100,000
Listed equity instruments	1,442,588	–	–	1,442,588
	1,442,588	2,122	100,000	1,544,710
Financial liabilities at FVTPL				
Derivative component of convertible bonds	–	–	457,010	457,010

There were no transfers between levels of fair value hierarchy in both years.

46. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at **31.12.2023** **RMB'000**	Fair value as at 31.12.2022 RMB'000	Valuation technique and key inputs
Financial asset at FVTOCI – listed equity instrument	Level 1	**1,306,966**	1,442,588	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	**94,412**	100,000	Market approach – Based on P/B multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Financial asset at FVTPL – limited partnerships	Level 3	**11,725,159**	–	Market approach – Based on P/B or P/S multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B or P/S ratio, the higher the fair value) Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate (Key unobservable inputs: the higher the discount rate, the lower the fair value)
Interest rate swaps contracts	Level 2	**–**	2,122	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates), discounted at a rate that reflects the credit risk of various counterparties
Derivative component of convertible bonds	Level 3	**521,919**	457,010	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 46.32% (2022: 42.46%) (The higher the volatility, the higher the fair value)

46. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:

	Limited partnerships RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity instrument RMB'000
At 1 January 2022	–	747,749	154,628
Total gains (losses)			
– in profit or loss	–	393,611	–
– in other comprehensive income	–	–	131,855
Conversion into shares of a listed entity instrument	–	–	(286,483)
Purchase	–	–	100,000
Conversion into shares of the Company	–	(744,050)	–
Exchange difference	–	59,700	–
At 31 December 2022 and 1 January 2023	–	457,010	100,000
Total gains (losses)			
– in profit or loss	–	49,044	–
– in other comprehensive income	–	–	(5,588)
Transfer from prepayment	2,500,000	–	–
Purchase	9,225,159	–	–
Exchange difference	–	15,865	–
At 31 December 2023	11,725,159	521,919	94,412

46. FINANCIAL INSTRUMENTS (Continued)

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

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts.

(h) Transfers of financial assets

The following were the Group's financial assets transferred to suppliers by endorsing those bills receivables on a full recourse basis. As the Group has retained the significant risks and rewards which include default risks, relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables and other payables in the consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	2023 **RMB'000**	2022 RMB'000
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**3,891,534**	4,733,415
Carrying amount of trade payables	**(3,891,534)**	(4,733,415)
Net position as at 31 December	**–**	–

Note: The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group was still exposed to credit risk on these receivables at the end of the reporting period, the cash received from the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

47. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2023, the Group had the following acquisition of a subsidiary.

(a) During the year ended 31 December 2023, the Group acquired 80% of the issued capital of Shandong Anrun Energy Co., Ltd* ("Shandong Anrun") 山東安潤能源有限公司 from a limited partnership which the Group invested for consideration of RMB3,009,482,000 and its identifiable assets are mainly property, plant and equipment. The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations. This acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (property, plant and equipment).

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

	RMB'000
Property, plant and equipment	4,104,881
Right-of-use assets	67,475
Trade receivables	28,336
Prepayments and other receivables	29,099
Inventories	148,624
Cash and cash equivalents	2,506
Trade payables	(67,261)
Other payables and accruals	(551,807)
Non-controlling interests	(752,371)
Total identifiable net assets acquired	3,009,482
Satisfied by:	
Cash consideration	3,009,482

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB56,247,000. None of the trade and receivables had been impaired and it is expected that the full amounts can be collected.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	3,009,482
Less: cash and cash equivalent acquired	(2,506)
Net cash outflow on acquisition	3,006,976

47. ACQUISITION OF SUBSIDIARIES (Continued)

During the year ended 31 December 2022, the Group had the following acquisition of subsidiaries.

(b) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Haixin New Material Co., Ltd.* ("Weihai Haixin") 威海海鑫新材料有限公司 from an independent third party for consideration of RMB871,463,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB20,462,000. Weihai Haixin is engaged in manufacture and sale of aluminum products. Weihai Haixin was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	842,002
Right-of-use assets	140,479
Trade and bills receivables	672,048
Prepayments and other receivables	409,777
Inventories	286,524
Cash and cash equivalents	400,969
Bank borrowings	(300,000)
Trade and bills payables	(1,203,992)
Other payables and accruals	(355,882)
Total identifiable net assets at fair value	891,925

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB1,081,484,000. None of the trade and receivables had been impaired and it is expected that the full amounts can be collected.

* The English translation is for reference only.

47. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	871,463
Less: fair value of net assets of acquired	(891,925)
Gain on bargain purchase	(20,462)

Bargain purchase gain amounting to approximately RMB20,462,000 on acquisition of Weihai Haixin is recongised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	871,463
Less: cash and cash equivalent acquired	(400,969)
Net cash outflow on acquisition	470,494

Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Haixin or revenue generated from Weihai Haixin included in the profit for the year ended 31 December 2022.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB133,223,343,000 and profit for the year would have been approximately RMB9,627,385,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on in 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Weihai Haixin been acquired at the beginning of the year ended 31 December 2022, the directors of the Company calculated depreciation of property, plant and equipment based on the recongised amounts of property, plant and equipment at the date of acquisition.

47. ACQUISITION OF SUBSIDIARIES (Continued)

(c) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Chenxin New Material Co., Ltd.* ("Weihai Chenxin") 威海辰鑫新材料有限公司 from an independent third party for consideration of RMB372,280,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB60,000. Weihai Chenxin is engaged in manufacture and sale of aluminum products. Weihai Chenxin was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	338,030
Trade and bills receivables	139,725
Prepayments and other receivables	50,092
Cash and cash equivalents	9,456
Inventories	51,723
Trade and bills payables	(151,995)
Other payables and accruals	(51,927)
Deferred tax liabilities	(12,764)
Total identifiable net assets at fair value	372,340

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB189,817,000. None of the receivables had been impaired and it is expected that the full amounts can be collected.

* The English translation is for reference only.

47. ACQUISITION OF SUBSIDIARIES (Continued)

(c) (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	372,280
Less: fair value of net assets of acquired	(372,340)
Gain on bargain purchase	(60)

Bargain purchase gain amounting to approximately RMB60,000 on acquisition of Weihai Chenxin is recongised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	372,280
Less: cash and cash equivalent acquired	(9,456)
Net cash outflow on acquisition	362,824

Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Chenxin or revenue generated from Weihai Chenxin included in the profit for the year ended 31 December 2022.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB131,437,931,000 and profit for the year would have been approximately RMB9,629,440,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on in 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Weihai Chenxin been acquired at the beginning of the year ended 31 December 2022, the directors of the Company calculated depreciation of property, plant and equipment based on the recongised amounts of property, plant and equipment at the date of acquisition.

48. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2023, and 2022 the Group had the following change in its ownership interests in subsidiaries that do not result in a loss of control.

Deemed disposal of interest in a subsidiary

During the year ended 31 December 2023, upon additional capital contribution of RMB786,199,000 being made by certain independent investors to Hongchuang, the Group's equity interest in Hongchuang was diluted from 26.64% to 21.72%. The transaction was accounted for as partial disposal of a subsidiary without loss of control. The carrying value of 4.92% of the net assets of Hongchuang was approximately RMB109,347,000. A schedule of the effect of disposal of interest is in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the 4.92% interest deemed disposed of	109,347
Consideration received from non-controlling interests	–
Difference recognised in capital reserve within equity	109,347

During the years ended 31 December 2022, the Group had the following change in its ownership interest in subsidiaries that do not result in a loss of control.

Acquisition of additional interest in a subsidiary

During the year ended 31 December 2022, the Group acquired an additional 35% issued shares of Chongqing Weiqiao Financial Factoring Co., Ltd.* ("Chongqing Weiqiao Financial") 重慶魏橋金融保理有限公司 from non-controlling interests and increased its ownership interest to 100%. Cash consideration of approximately RMB236,500,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao Financial was approximately RMB178,850,000. A schedule of the effect of acquisition of additional interest is as follow:

	RMB'000
Carrying amount of the interest acquired	178,850
Consideration paid to non-controlling interests	(236,500)
Difference recognised in capital reserve within equity	(57,650)

* The English translation is for reference only

49. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and borrowings granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Restricted bank deposits (note 31)	**1,826,579**	1,720,058
Property, plant and equipment (note 16)	**10,523,030**	12,069,053
Right-of-use assets (note 17)	**544,629**	556,345

50. COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**5,833,281**	3,545,775

51. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group had the following related parties transactions.

(a) During the year, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye	note iii
Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited ("Ming Hong Textile") 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Construction Investment Development Co. Ltd. ("Binzhou Investment") 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd ("Shandong Ruixin") 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye
Zhanhua Weiqiao Port Logistics Co., Ltd. ("Zhanhua Weiqiao Port Logistics") 沾化魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Weiqiao Textile Co. Ltd ("Weiqiao Textile") 魏橋紡織股份有限公司	Controlled by Weiqiao Chuangye
Shandong Xiangshang Clothing Culture Co., Ltd. ("Shandong Xiangshang") 山東向尚服飾文化有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Weiqiao Jiajia Home Textile Co., Ltd. ("Weiqiao Jiajia") 山東魏橋嘉嘉家紡有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Anhao Medical Protective Products Technology Co., Ltd. ("Shandong Anhao Medical") 山東安好醫療防護用品科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Weihai Weiqiao Energy Co., Ltd. ("Weihai Weiqiao Energy") 威海魏橋能源有限公司 (note i)	Controlled by Weiqiao Chuangye

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Name of party	**Relationship**
PT. Harita Jayaraya ("Harita Jayaraya")	note iii
PT. Cita Mineral Investindo, Tbk.	A subsidiary of Harita Jayaraya
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply") 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
Business Aviation Asia (Cayman) Limited ("Business Aviation")	An associate of Weiqiao Chuangye
WCSR	An associate of a subsidiary of the Company
Innovation Carbon New Material	An associate of a wholly-owned subsidiary of the Company
ABM	An associate of a subsidiary of the Company
GTS	An associate of a subsidiary of the Company
WAP	An associate of a subsidiary of the Company
SMB	An associate of a subsidiary of the Company
Binneng Energy	An associate of a subsidiary of the Company
Weiqiao Haiyi	An associate of a subsidiary of the Company
Shandong Binhong	An associate of a subsidiary of the Company

Notes:

i. The English translation is for reference only.

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

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

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	Notes	2023 RMB'000	2022 RMB'000
Purchase of water			
Jinsha Water Supply	(a)	**(26,113)**	(24,315)
Weiqiao Chuangye	(b)	**(45,182)**	(30,886)
Industrial waste expenses			
Beihai Solid Waste	(b)	**(101,394)**	(160,569)
Binneng Energy	(f)	**(572)**	–
Purchase of bauxite			
GTS	(f)	**(14,306,886)**	(13,426,851)
PT. Cita Mineral Investindo, Tbk.	(a)	**(1,307,573)**	(799,009)
Purchase of electricity			
Binneng Energy	(f)	**(13,298,361)**	(14,938,883)
Weihai Weiqiao Energy	(f)	**(43,060)**	–
Shandong Binhong	(a)	**(15,490)**	–
Purchase of anode carbon block			
Innovation Carbon New Material	(f)	**(1,677,340)**	(2,394,356)
Purchase of right-of-use assets			
Weiqiao Chuangye	(a)	**(764,798)**	(83,604)
Weiqiao Textile	(a)	**–**	(18,956)
Purchase of steam			
Binneng Energy	(f)	**(899,482)**	–
Weihai Weiqiao Energy	(f)	**(3,922)**	–
Purchase of coal			
Binneng Energy	(f)	**(201,542)**	–
Purchase of accessories			
Shandong Xiangshang	(a)	**(486)**	–
Weiqiao Jiajia	(a)	**(705)**	–
Shandong Anhao Medical	(a)	**(161)**	–
Weiqiao Haiyi	(f)	**(340)**	–
Weiqiao Chuangye	(a)	**(4)**	–
Sales of steam			
Binzhou Industrial Park	(a)	**13,535**	10,453
Ming Hong Textile	(a)	**4,512**	3,677
Binzhou Investment	(a)	**25,957**	22,278
Zhanhua Weiqiao Port Logistics	(a)	**1,219**	533
Sales of water			
Zhanhua Weiqiao Port Logistic	(a)	**94**	101
Weiqiao Haiyi	(f)	**5**	–
Sales of electricity			
Shandong Binhong	(a)	**129**	–

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	Notes	**2023 RMB'000**	2022 RMB'000
Legal and professional fee			
Shandong Ruixin	(a)	**(4,145)**	(10,757)
Business Aviation	(a)	**(46,699)**	–
Lease payment			
Weiqiao Chuangye	(a), (c)	**(40,409)**	(2,850)
Harita Jayaraya	(e), (f)	**(1,236)**	(1,070)
PT. Antar Sarana Rekasa	(d), (f)	**(8,640)**	(8,427)
Interest income from associates			
Binneng Energy	(f)	**114,780**	114,780
WCSR	(f)	**140,828**	41,834
ABM	(f)	**90,184**	–

Notes:

(a) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14.76 of the Listing Rules.

(b) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

(c) The Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye in 2018. The amount of lease payment made by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2023, the carrying amount of such lease liabilities is approximately RMB39,015,000 (2022: RMB40,394,000).

The Group entered into a twenty-year lease in respect of land from Weiqiao Chuangye in 2023. The amount of lease payment made by the Group under the lease is approximately RMB37,560,000 per year and prepaid each year. As at 31 December 2023, the carrying amount of such lease liabilities is approximately RMB507,744,000 (2022: nil).

(d) For the year ended 31 December 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB720,000 per month. As at 31 December 2023, the carrying amount of such lease liabilities is RMB8,010,000 (2022: RMB14,935,000).

(e) For the year ended 31 December 2021, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB103,000 per month. As at 31 December 2023 and 31 December 2022, the carrying amount of such lease liabilities is nil.

For the year ended 31 December 2023, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB98,000 per month. As at 31 December 2023, the carrying amount of such lease liabilities is approximately RMB1,121,000 (2022: nil).

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

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the year:

	2023 RMB'000	2022 RMB'000
Loans to associates		
ABM	**2,697,999**	766,106
Binneng Energy	**2,000,000**	2,000,000
WCSR	**1,770,675**	1,044,690
Trade payables		
GTS	**(410,577)**	(2,171,252)
Innovation Carbon New Material	**(238,019)**	(286,458)
Jinsha Water Supply	**(2,438)**	(1,731)
Weiqiao Chuangye	**(10,407)**	(28,687)
PT. Cita Mineral Investindo, Tbk.	**(90,322)**	(39,585)
Trade receivable		
Ming Hong Textile	**–**	127
Other payable		
Weiqiao Chuangye	**–**	(8,793)
Weiqiao Textile	**–**	(20,662)
Prepayments to an associate		
Binneng Energy	**929,989**	661,035
Interest receivable		
WCSR	**183,261**	41,626
ABM	**90,185**	–

(b) Compensation of key management personnel

	2023 RMB'000	2022 RMB'000
Short term employee benefit	**9,106**	8,375
Retirement benefits scheme contributions	**133**	119
	9,239	8,494

Further details of the directors' and chief executive's emoluments are included in note 12.

51. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	2023 RMB'000	2022 RMB'000
Binneng Energy	–	1,400,000
Weiqiao Chuangye	3,600,000	3,289,242

52. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2023, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB403,727,000 (2022: RMB936,134,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

During the years ended 31 December 2023 and 2022, no utilisation of forfeited contributions were offset the contributions obligation.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	1 January 2023 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2023 RMB'000
Bank borrowings	35,527,759	1,118,453	–	2,484,126	(19,222)	–	39,111,116
Lease liabilities	67,916	(109,526)	964,951	30,955	362	–	954,658
Liability component of CBs	1,830,527	(54,813)	–	182,338	5,515	–	1,963,567
Derivatives component of CBs	457,010	–	–	–	15,865	49,044	521,919
Medium-term debentures and bonds	14,467,959	(3,824,459)	–	679,762	–	–	11,323,262
Short-term debentures and notes	3,000,000	3,777,818	–	222,182	–	–	7,000,000
Other financial liabilities	–	2,962,600	–	2,595	–	–	2,965,195
Guaranteed notes	4,843,648	(1,565,530)	–	229,095	4,608	–	3,511,821
Interest payable	486,456	61,196	–	–	–	–	547,652
	60,681,275	2,365,739	964,951	3,831,053	7,128	49,044	67,899,190

			Non-cash changes					
	1 January 2022 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Conversation into shares of the Company RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2022 RMB'000
Bank borrowings	36,381,751	(3,581,774)	300,000	2,174,962	–	252,820	–	35,527,759
Lease liabilities	61,731	(20,926)	24,323	2,833	–	(45)	–	67,916
Liability component of CBs	2,992,358	(105,121)	–	227,377	(1,487,157)	203,070	–	1,830,527
Derivatives component of CBs	954,356	–	–	–	(744,050)	59,700	187,004	457,010
Medium-term debentures and bonds	13,143,593	755,414	–	568,952	–	–	–	14,467,959
Short-term debentures and notes	1,500,000	1,426,689	–	73,311	–	–	–	3,000,000
Guaranteed notes	6,332,831	(2,292,503)	–	386,610	–	416,710	–	4,843,648
Interest payable	610,976	(124,520)	–	–	–	–	–	486,456
	61,977,596	(3,942,741)	324,323	3,434,045	(2,231,207)	932,255	187,004	60,681,275

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

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Plant and equipment		**36**	35
Right-of-use assets		**10,589**	1,883
Investments in subsidiaries		**11,199,239**	11,199,239
Other receivables		**1,770,675**	1,810,796
Amounts due from subsidiaries	(i)	**10,915,651**	10,925,507
Financial assets at fair value through other comprehensive income		**878,641**	928,898
		24,774,831	24,866,358
Current assets			
Trade receivables		**44,030**	88,744
Prepayment and other receivables		**189,869**	43,145
Amounts due from subsidiaries	(i)	**1,008,911**	2,083,141
Amount due from immediate holding company	(ii)	**27**	27
Other financial asset		**–**	2,122
Cash and cash equivalents		**408,362**	388,782
		1,651,199	2,605,961
Current liabilities			
Trade payables		**44,030**	89,982
Other payables		**69,673**	140,238
Lease liabilities		**4,769**	1,777
Bank borrowings – due within one year		**996,974**	1,789,650
Guaranteed notes – due within one year		**3,511,821**	1,392,893
		4,627,267	3,414,540
Net current liabilities		**(2,976,068)**	(808,579)
Total assets less current liabilities		**21,798,763**	24,057,779
Non-current liabilities			
Lease liabilities		**5,999**	196
Amount due to a subsidiary	(ii)	**12,060,856**	10,710,162
Bank borrowings – due after one year		**–**	821,823
Liability component of convertible bonds – due after one year		**1,963,567**	1,830,527
Guaranteed notes – due after one year		**–**	3,450,755
Derivative component of convertible bonds – due after one year		**521,919**	457,010
		14,552,341	17,270,473
Net assets		**7,246,422**	6,787,306
Capital and reserves			
Share capital		**618,881**	618,881
Reserves	(iii)	**6,627,541**	6,168,425
Total equity		**7,246,422**	6,787,306

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

(i) The amounts due from subsidiaries with the balance of approximately RMB2,916,178,000 (2022: RMB3,944,604,000) are unsecured, carrying interest at fixed rate ranged from 5% to 8% (2022: ranged from 5% to 8%) per annum. The balances of approximately RMB1,008,911,000 (2022: RMB2,083,141,000) and RMB1,907,267,000 (2022: RMB1,861,463,000) are repayable in April 2024 and December 2024 (2022: April 2023 and December 2024) respectively.

The remaining balances are unsecured, interest-free and the directors of the Company do not expect repayments on these balances within next twelve months from the end of the reporting period and the balances were classified as non-current. The fair value of interest-free portion is estimated at approximately RMB9,008,384,000 (2022: RMB9,064,044,000) by using the effective interest rate of 4.9% per annum for the years ended 31 December 2023 and 2022.

(ii) The amounts due from (to) immediate holding company/a subsidiary are unsecured, interest-free. The directors of the Company do not expect repayments from immediate holding company within next twelve months from the end of the reporting period and the balance of payable to a subsidiary will only be due after one year from the end of the reporting period.

(iii) Movement in reserves

	Share premium RMB'000	Reserve[a] Share RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	22,833,367	3,193,854	(16,618,103)	9,409,118
Loss and total comprehensive expense for the year	–	–	2,777,493	2,777,493
Dividend paid	–	–	(8,225,651)	(8,225,651)
Issue of shares (note 43)	2,207,465	–	–	2,207,465
At 31 December 2022 and 1 January 2023	**25,040,832**	**3,193,854**	**(22,066,261)**	**6,168,425**
Profit and total comprehensive income for the year	**–**	**–**	**4,245,228**	**4,245,228**
Dividend paid	**–**	**–**	**(3,786,112)**	**(3,786,112)**
At 31 December 2023	**25,040,832**	**3,193,854**	**(21,607,145)**	**6,627,541**

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

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	
China Hongqiao Investment Limited	BVI	Ordinary Shares	US$200	**100**	100	**-**	–	**100**	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	**-**	–	**100**	100	**100**	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	**61**	61	**-**	–	**61**	61	Manufacture and sale of alumina
Hongqiao (HK) International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	**-**	–	**100**	100	**100**	100	Inactive
Shandong Hongqiao	PRC	Ordinary Shares	RMB11,759,333,009	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd.* 鄒平縣宏利熱電有限公司	PRC	Ordinary Shares	RMB1,817,065,373	**-**	–	**94.52**	94.52	**94.52**	94.52	Production and sale of electricity
Zhouping Hongmao New Material Technology Co., Ltd.* 鄒平縣宏茂新材料科技有限公司	PRC	Ordinary Shares	RMB1,500,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Zhouping Hongzheng New Material Technology Co., Ltd* 鄒平縣宏正新材料科技有限公司	PRC	Ordinary Shares	RMB700,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Shandong Weiqiao	PRC	Ordinary Shares	RMB13,000,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Zouping County Hongxu Thermal Power Co., Ltd.* ("Hongxu Power") 鄒平縣宏旭熱電有限公司	PRC	Ordinary Shares	RMB8,200,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Production and sale of electricity
Zouping Huiju New Material Technology Co., Ltd.* 鄒平縣匯聚新材料科技有限公司	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2023	2022	2023	2022	2023	2022	
				%	%	%	%	%	%	
Zouping Huicai New Material Technology Co., Ltd.* 鄒平縣匯才新材料科技有限公司	PRC	Ordinary Shares	RMB3,700,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huisheng New Material Technology Co., Ltd.* 鄒平縣匯盛新材料科技有限公司	PRC	Ordinary Shares	RMB5,900,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huimao New Mateiral Technology Co., Ltd.* 鄒平縣匯茂新材料科技有限公司	PRC	Ordinary Shares	RMB5,500,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products
Huimin Huihong New Material Co., Ltd.* 惠民縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB5,000,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Binzhou Zhanhua Huihong New Material Co., Ltd.* 濱州市沾化區匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,000,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Yangxin New Material Co., Ltd.* 陽信縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Binzhou Beihai New Material Co., Ltd.* 濱州北海匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,500,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Binzhou Hongnuo New Material* 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Shandong Hongqiao Financial Leasing Co., Ltd.* 山東宏橋融資租賃有限公司	PRC	Ordinary Shares	US$200,000,000	**-**	–	**100**	100	**100**	100	Financial leasing
Shandong Hongfan Industrial Co., Ltd.* 山東宏帆實業有限公司	PRC	Ordinary Shares	RMB1,000,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	
Binzhou Hongzhan Aluminum Technology Co., Ltd.* 濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zouping Hongfa Aluminum Technology Co., Ltd.* 鄒平宏發鋁業科技有限公司	PRC	Ordinary Shares	RMB700,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Shandong Hongbin International Business Co., Ltd.* 山東宏濱國際商貿有限公司	PRC	Ordinary Shares	RMB30,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Beihai Xinhe	PRC	Ordinary Shares	RMB2,100,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	-	–	21.72	26.64	21.72	26.64	Manufacture and sale of aluminum products
Chongqing Weiqiao Financial	PRC	Ordinary Shares	RMB500,000,000	-	–	94.52	94.52	94.52	94.52	Provision of financing
Yunnan Hongtai New Material Co., Ltd* 雲南宏泰新型材料有限公司	PRC	Ordinary Shares	RMB12,000,000,000	-	–	67.55	70.89	67.55	70.89	Manufacture and sale of aluminum products
Shandonfg Hongtuo	PRC	Ordinary Shares	RMB7,500,000,000	-	–	90.07	94.52	90.07	94.52	Manufacture and sale of aluminum products
Yunnan Hongqiao New Material Co., Ltd.* 雲南宏橋新型材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	–	90.07	94.52	90.07	94.52	Manufacture and sale of aluminum products
Shandong Weiqiao Lightweight Material Co., Ltd.* 山東魏橋輕量化材料有限公司	PRC	Ordinary Shares	RMB100,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products

* For identification purpose only

Note:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 21.72% (2022: 26.64%) equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB18,323,262,000 (2022: RMB17,467,959,000) of debt securities at the end of the year:

	Total and held by third parties	
	2023	2022
	RMB'000	RMB'000
Shandong Hongqiao	**16,320,053**	9,970,703
Shandong Weiqiao	**2,003,209**	7,497,256

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC, Singapore, BVI, Hong Kong and Guinea (2022: the PRC, Singapore, BVI and Guinea). The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2023	2022
Sales of aluminum products	The PRC	**25**	14
Sales of scrap materials	The PRC	**1**	1
Delivery service	The PRC	**1**	1
Reclamation and utilisation of waste	The PRC	**7**	6
Wholesale of bauxite, alumina and aluminum products	The PRC	**11**	11
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**15**	14
Technology promotion and application service industry	The PRC	**5**	5
Investment management	The PRC	**1**	1
Investment holdings	The PRC	**4**	4
Others	Hong Kong	**1**	1
Others	The PRC	**14**	14
		88	75

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		(Loss) profit attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Hongchuang and its subsidiaries	PRC	**77.02%**	71.82%	**77.02%**	71.82%	**(113,226)**	15,693	**891,582**	1,004,808

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intergroup eliminations.

Hongchuang and its subsidiaries

	2023 RMB'000	2022 RMB'000
Current assets	**1,402,952**	1,249,367
Non-current assets	**1,290,317**	1,399,507
Current liabilities	**(1,411,475)**	(1,207,743)
Non-current liabilities	**(124,196)**	(42,066)
Equity attributable to owners of the Company	**266,016**	394,257
Non-controlling interest	**891,582**	1,004,808
Revenue	**2,698,438**	3,531,349
Expenses	**(2,845,446)**	(3,509,498)
(Loss) profit for the year	**(147,008)**	21,851
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	**(33,782)**	6,158
(Loss) profit and total comprehensive (expense) income attributable to the non-controlling interest	**(113,226)**	15,693
(Loss) profit and total comprehensive (expense) income for the year	**(147,008)**	21,851
Net cash (outflows) inflows from operating activities	**(212,606)**	328,110
Net cash outflows from investing activities	**(455,768)**	(91,855)
Net cash inflows (outflows) from financing activities	**581,868**	(96,450)
Net cash (outflows) inflows	**(86,506)**	139,805

56. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group entered into new arrangement in respect of premises and vessels. Right-of-use assets and lease liabilities of approximately RMB964,951,000 (2022: RMB24,323,000) were recognised at the commencement of the lease.

During the year ended 31 December 2023, dividend was declared by one of its associate and the Group's entitlement is approximately RMB2,843,867,000. As at 31 December 2023, balance of RMB2,697,999,000 remained unsettled and it was assigned and included as loan to associate.

During the year ended 31 December 2022, the Group recognised capital reserve of RMB23,918,000 which represented capital injection from other investors in an associate.

During the year ended 31 December 2022, the Group transferred property, plant and equipment of approximately RMB40,305,000 to investment properties.

57. EVENT AFTER THE REPORTING PERIOD

As set out in the announcement of the Company dated 6 March 2024, the Group entered into the mine guarantee agreement and infrastructure guarantee agreement with its associates to support the mine projects in Simandou, Guinea.

As set out in the announcement of the Company dated 15 March 2024, the Group entered into sale and purchase agreement with non-controlling interests to acquire an additional 4.04% issued shares of Shandong Hongqiao.

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