China Hongqiao Group Limited
中國宏橋集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock Code : 1378

ANNUAL REPORT 2019

Contents

Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December *(RMB'000)*				
	2015	2016	2017 note 1 (restated)	2018	**2019**
Revenue	44,109,934	61,395,578	97,941,916	90,194,924	**84,179,288**
Gross profit	9,028,404	14,196,333	16,380,242	15,400,562	**16,464,253**
Gross profit margin (%)	20.5	23.1	16.7	17.1	**19.6**
Profit before tax	5,335,953	9,764,337	7,116,690	8,335,692	**8,771,067**
Net profit attributable to owners of the Company	3,706,512	6,849,829	5,130,064	5,407,422	**6,095,335**
Net profit margin (%)	8.3	11.1	5.4	6.4	**7.7**
Basic earnings per share (RMB)	0.59	0.96	0.6986	0.6218	**0.7087**

Assets and liabilities

	As at 31 December *(RMB'000)*				
	2015	2016	2017 note 1 (restated)	2018	**2019**
Total assets	106,517,979	142,521,467	158,684,987	176,726,892	**179,604,445**
Equity	36,294,658	45,688,302	53,737,567	62,619,497	**66,015,976**
Total liabilities	70,223,321	96,833,165	104,947,420	114,107,395	**113,588,469**
Return on equity note 2 (%)	10.7	16.6	10.7	9.9	**10.0**
Current ratio (%)	78	98	119	156	**143**
Accounts receivable turnover (days)	6	4	5	18	**37**
Inventory turnover (days)	122	114	73	86	**112**
Accounts payable turnover (days)	43	51	48	70	**83**

Note 1: Restatement for business combination under common control due to the acquisition of Chongqing Weiqiao Financial Factoring Co., Ltd..

Note 2: Calculated based on average equity.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Bo *(Chairman, Chief Executive Officer, Authorised Representative)*
Ms. Zheng Shuliang *(Vice Chairman)*
Ms. Zhang Ruilian *(Vice President, Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Yang Congsen
Mr. Zhang Jinglei
Mr. Chen Yisong *(Mr. Zhang Hao as his alternate)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xing Jian
Mr. Han Benwen
Mr. Dong Xinyi

CHIEF FINANCIAL OFFICER

Ms. Zhang Ruilian

COMPANY SECRETARY

Ms. Zhang Yuexia

AUDIT COMMITTEE

Mr. Han Benwen *(Committee Chairman)*
Mr. Xing Jian
Mr. Dong Xinyi

NOMINATION COMMITTEE

Mr. Xing Jian *(Committee Chairman)*
Mr. Zhang Bo
Mr. Han Benwen

REMUNERATION COMMITTEE

Mr. Han Benwen *(Committee Chairman)*
Mr. Zhang Bo
Mr. Xing Jian

AUTHORISED REPRESENTATIVES

Mr. Zhang Bo
Ms. Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE IN THE PRC

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Zouping City
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the PRC

CAYMAN ISLANDS REGISTERED OFFICE

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Cayman Islands

INTERNATIONAL AUDITORS

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HONG KONG SHARE REGISTRAR

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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

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LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 31 DECEMBER 2019

8,570,852,349

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
20 March 2020

DATE OF ANNUAL GENERAL MEETING

22 May 2020

EXPECTED DATE OF DIVIDEND PAYMENT

26 June 2020

Chairman's Statement

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the board of directors (the "Board") of China Hongqiao Group Limited (the "Company" or "China Hongqiao") the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Year" or the "Year under Review").

Affected by unfavorable factors such as emerging protectionism, global economic growth slowed down significantly in 2019. Under such a background, China's Gross Domestic Product (GDP) recorded a growth of 6.1%. Although China's economic growth slowed down slightly, it maintained a steady development momentum in general. However, due to the effect of several adverse factors such as the trade frictions, tightening resource and environmental policies and intensified industrial structure adjustment, the businesses and operations of the Group still face certain challenges. The Group will closely monitor the situation and actively seek opportunities to cope with the challenges.

During the Year, the Group continued to implement its business model of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration", and strived to accelerate the industrial cluster development and to optimise cost structure and economies of scale. For domestic business, while maintaining its stable business operation, the Group actively responded to the adverse impacts brought by the typhoon "Lekima" towards the Group's production. The Group actively adjusted and optimized its energy structure. The green aluminium innovation industrial park commenced construction in Yunnan Province in December 2019. Transferring to production capacity which uses clean energy from hydropower marks a solid step taken by the Group in adjusting its energy structure. The Group actively implemented the policies launched by the PRC government thoroughly, including the policy of production restriction in heating season, and relevant policies such as replacing old growth drivers with new ones and using more advanced primary aluminum production facilities in replacement of the original electrolytic aluminum production facilities during the Year. The Group also continued to optimise resources allocation and to improve energy-saving and environmental protection measures. For overseas business, the Group moderately facilitated the phase 2 project of 1,000,000 tons of alumina in Indonesia, which was expected to start production by the end of 2020. The Group has also made significant progress in developing alumina and bauxite business in Guinea, Africa, which will further enhance the stability of the supply of raw materials and will also be a new profit growth point for the Group, laying a solid foundation for the Group's long-term development.

During the Year under Review, the Group's revenue amounted to approximately RMB84,179,288,000, representing a year-on-year decrease of approximately 6.7%; gross profit amounted to approximately RMB16,464,253,000, representing a year-on-year increase of approximately 6.9%; net profit attributable to shareholders of the Company amounted to approximately RMB6,095,335,000, representing a year-on-year increase of approximately 12.7%; basic earnings per share amounted to approximately RMB0.7087 (same period in 2018: approximately RMB0.6218). The Board recommended payment of a final dividend of HK34.0 cents per share for 2019.

After years of devoted efforts, the Group has formed an upstream and downstream fullchain operation pattern for bauxite mining and production and sales of alumina, electrolytic aluminum and deeply processed aluminum products, achieving economics of scale. In addition, the Group will further invest a myriad of resources in areas such as talent cultivation, innovative technology development, industrial services and international production capacity cooperation, etc., and the Group will also actively cooperate with major scientific and research institutions to improve industrial technology and research and development capabilities and to further facilitate the high-quality development of the Group. At the same time, the Group will also strive to implement various energy conservation and emission reduction plans and improve its environmental protection technologies, so as to achieve a greater contribution to winning the "Blue Sky Defence War".

Looking ahead to 2020, it is expected that the global economic growth will remain sluggish. In the beginning of 2020, the pneumonia epidemic caused by the novel coronavirus has brought significant impact on domestic industrial production, investment and consumption, and at the same time, it will also give rise to profound impact on the global supply chain system. It is expected that the aluminum industry will face greater challenges and opportunities.

While managing its existing assets properly, the Group will dedicate itself to increasing the primary aluminum production capacity through secondary aluminum and the research and development of products, and the Group plans to add new production lines for secondary aluminum. At the same time, to enhance its social responsibility, the Group will continue to increase its investment in energy conservation and environmental protection and use a variety of clean energies. In addition, the Group is optimistic about the future development of China's aluminum industry. The increasing popularity of lightweight vehicles and the continued growth of the development potential of the construction and home appliances industries will contribute to the future growth of aluminum demand. As one of the world's largest electrolytic aluminum suppliers, the Group will continue to optimize its industrial model, adhere to its core business, expedite the pace of international capacity cooperation, innovation-driven development and smart manufacturing, accelerate the development of the high-end aluminum processing industry, and maintain the cost advantages to ensure the sustainable development of the Group. In 2020, in order to actively respond to challenges in all aspects, the Group will focus on increasing efficiency, reducing consumption and improving technical indicators, and regard "stability, improvement, innovation and development" as the development requirements for the new year. Furthermore, the Group will continue to play the roles of leader, service provider and enabler, exert influence as a leader and incubator, and facilitate the high quality, efficient and sustainable development of the aluminum industry. At last, the Group will continue to optimize its financial structure, maintain a steady cash flow, further reduce the impact of market fluctuations towards the Group, and continue its efforts to maximize returns for its shareholders.

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and employees for their efforts and dedication in 2019, as well as to the shareholders, investors and business partners for their support and trust.

Mr. Zhang Bo
Chairman of the Board

20 March 2020

Management Discussion and Analysis

INDUSTRY REVIEW

During the Year under Review, major economies in the world experienced slow growth due to the impacts of trade frictions. With sluggish manufacturing activities, the downward pressure on the economy increased significantly, and the primary aluminum consumption in overseas markets exhibits the first negative growth since the financial crisis in 2008. In the meantime, despite the slowdown in China's primary aluminum consumption growth, China's primary aluminum consumption still accounts for approximately 56.1% of the global consumption, which is a key force in the global primary aluminum consumption market. According to Beijing Antaike Information Development Co., Ltd. ("Antaike"), China's primary aluminum consumption was approximately 36.62 million tons in 2019, representing a year-on-year decrease of approximately 1.0% and accounting for approximately 56.1% of global primary aluminum consumption. In 2019, overseas primary aluminum consumption was approximately 28.70 million tons, representing a year-on-year decrease of approximately 1.7% and accounting for approximately 43.9% of global primary aluminum consumption. In 2019, global primary aluminum consumption was approximately 65.32 million tons, representing a year-on-year decrease of approximately 1.3%. (Source: Antaike)

In 2019, China's electrolytic aluminum industry was affected by force majeure factors such as production and operation pressures, production accidents, natural disasters, etc., which resulted in large-scale production reduction and a decrease in global primary aluminum production. In 2019, global primary aluminum production was approximately 64.00 million tons, representing a year-on-year decrease of approximately 0.3%, of which China's primary aluminum production was approximately 35.93 million tons, representing a year-on-year decrease of approximately 1.8% and accounting for approximately 56.1% of global production. Overseas electrolytic aluminum production was approximately 28.07 million tons, representing a year-on-year increase of approximately 1.7%. (Source: Antaike)

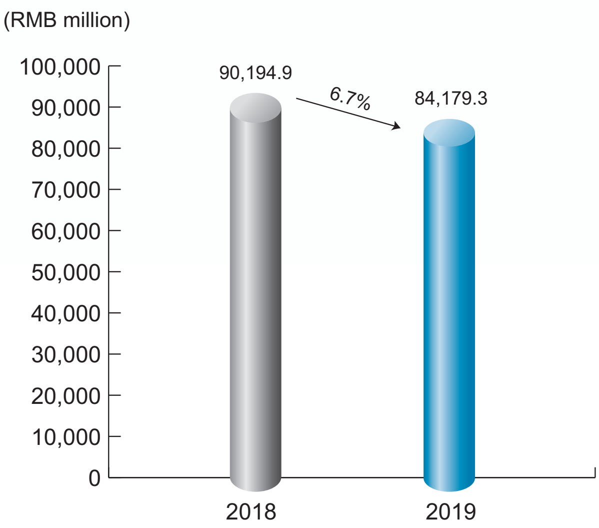
During the Year, commodity prices were affected by the weak performance of global macro-economy. Under the influence of multiple negative factors, the international aluminum price moved downward. During the same period, although the domestic aluminum price moved downward, the aluminum price at SHFE has a strong resistance to price fluctuation due to the supply shortage caused by the decline in production. In 2019, the average prices of spot-month aluminum and three-month aluminum futures at London Metal Exchange (LME) were approximately US$1,791/ton and US$1,813/ton, representing decreases of approximately 15.1% and approximately 14.2%, respectively, over 2018. In 2019, the average prices of spot-month aluminum and three-month aluminum futures at Shanghai Futures Exchange (SHFE) were RMB13,914/ton (including tax) and RMB13,877/ton (including tax), representing decreases of approximately 2.4% and approximately 3.8%, respectively, over 2018. (Source: Antaike)

BUSINESS REVIEW

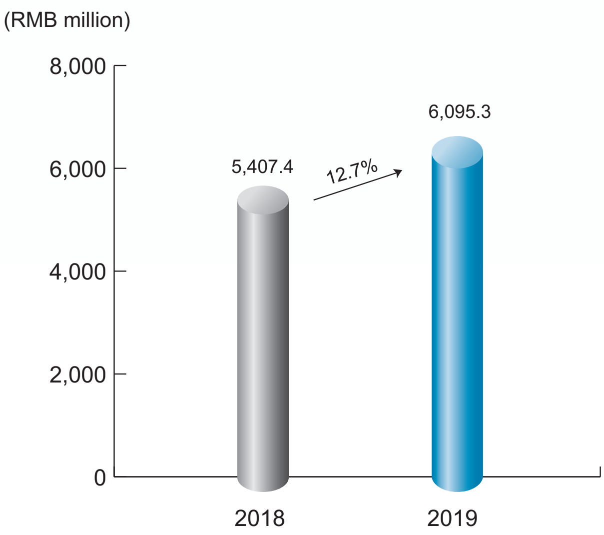
During the Year under Review, the Group's total output of aluminum alloy products amounted to approximately 5,644,000 tons, representing a year-on-year decrease of approximately 11.3%. This was mainly due to the impact of the PRC government's policy of production restriction during the heating season, the Group's replacement of existing production facilities with more advanced facilities during the Year and the effects of the rainstorm caused by Typhoon Lekima, which resulted in the decrease in the production volume of the Group's aluminum alloy products during the Year. The production volume of aluminum fabrication products reached approximately 630,000 tons, representing a year-on-year increase of approximately 25.3%, which was mainly due to the Group's expansion of the aluminum in-depth processing product market, resulting in an increase of purchase orders.

The Group's revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2019 and 2018 are as follows:

Revenue



Net profit attributable to shareholders of the Company



For the year ended 31 December 2019, the Group's revenue was approximately RMB84,179,288,000, representing a year-on-year decrease of approximately 6.7%, mainly due to the decreased production and sales volumes of the Group's aluminium alloy products during the Year compared to the corresponding period of the previous year. During the Year, the Group's sales volume of aluminium alloy products reached approximately 5,058,000 tons, representing a decrease of approximately 13.8% compared to approximately 5,865,000 tons for the same period of the previous year. The Group's sales volume of aluminium fabrication products reached approximately 623,000 tons, representing an increase of approximately 26.4% compared with approximately 493,000 tons for the same period of the previous year. The Group's sales volume of alumina reached approximately 5,277,000 tons, representing an increase of approximately 29.0% compared with approximately 4,090,000 tons for the same period of the previous year. The increase in sales volume of alumina was mainly because the Group seized market opportunities to explore the domestic product market when the Group's self-consumption alumina decreased, resulting in the increase in sales volume of alumina products.

For the year ended 31 December 2019, net profit attributable to shareholders of the Company amounted to approximately RMB6,095,335,000, representing a year-on-year increase of approximately 12.7%, mainly attributable to the decrease in the purchase price of raw materials such as coal and anode carbon blocks, the increase in the efficiency of production lines for aluminum fabrication products and the improvement in product quality and sales volume, resulting in the gross profit of the Group increased by approximately 6.9% from the same period of 2018 to reach approximately RMB16,464,253,000.

FINANCIAL REVIEW

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

The table below is a comparison of the breakdown of revenue, gross profit, gross profit margin and percentage of revenue by product for the years ended 31 December 2019 and 2018 respectively.

	For the year ended 31 December							
	2019				2018			
Products	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Percentage of revenue %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Percentage of revenue %
Aluminum alloy products	**61,891,049**	**11,813,930**	**19.1**	**73.5**	71,516,392	11,559,271	16.2	79.3
Alumina	**12,521,125**	**2,707,805**	**21.6**	**14.9**	11,044,951	3,356,737	30.4	12.2
Aluminum fabrication products	**9,104,598**	**1,938,363**	**21.3**	**10.8**	7,134,952	503,355	7.1	7.9
Steam	**662,516**	**4,155**	**0.6**	**0.8**	498,629	(18,801)	(3.8)	0.6
Total	**84,179,288**	**16,464,253**	**19.6**	**100.0**	90,194,924	15,400,562	17.1	100.0

For the year ended 31 December 2019, the Group's revenue derived from aluminum alloy products was approximately RMB61,891,049,000, accounting for approximately 73.5% of the revenue and representing a decrease in proportion as compared with the same period of last year, which was mainly due to the impact of the PRC government's policy of production restriction during the heating season, the Group's replacement of existing production facilities with more advanced facilities during the Year and the effects of the rainstorm caused by Typhoon Lekima, which resulted in the decrease in the production volume and sales volume of aluminum alloy products during the Year as compared with the corresponding period of last year. For the year ended 31 December 2019, the Group's revenue derived from alumina amounted to approximately RMB12,521,125,000, accounting for approximately 14.9% of the revenue and representing an increase in proportion as compared with the same period of last year, which was mainly due to a decrease in self-used alumina of the Group and an increase in external sales. For the year ended 31 December 2019, the Group's revenue derived from aluminum fabrication products amounted to approximately RMB9,104,598,000, accounting for approximately 10.8% of the revenue and representing an increase in proportion as compared with the same period of last year, which was mainly because the Group continued to actively expand the market, leading to an increase in sales volume of aluminum fabrication products.

For the year ended 31 December 2019, the overall gross profit margin of the products of the Group was approximately 19.6%, which increased by approximately 2.5 percentage points as compared with approximately 17.1% for the corresponding period of last year. Gross profit margin of aluminum alloy products increased, which was mainly due to the decrease in the purchase price of raw materials such as coal and carbon anode blocks of the Group during the Year, which led to the decrease in the cost of aluminum alloy products of the Group. Affected by price fluctuations in the alumina market, the Group's gross profit margin for alumina products decreased compared to the previous year. Benefited from the Group's adoption of energy saving and consumption reduction measures and the further increase in capacity utilization rate of production lines, the gross profit margin for aluminum fabrication products increased significantly compared with the same period of last year. The Group will continue to strengthen the cost control and upgrade the production technology to enhance its market competitiveness.

Distribution and selling expenses

For the year ended 31 December 2019, the Group's distribution and selling expenses were approximately RMB449,041,000, representing an increase of approximately 21.0% as compared with approximately RMB371,206,000 for the corresponding period of last year, which was mainly due to the increase in the sales volume of alumina products and aluminum fabrication products of the Group, resulting in the corresponding increase in the transportation fees during the Year.

Administrative expenses

For the year ended 31 December 2019, the administrative expenses of the Group amounted to approximately RMB3,645,691,000, representing a decrease of approximately 5.7% as compared with approximately RMB3,867,211,000 for the corresponding period of last year, which was mainly due to the decrease in the exchange loss of the Group.

Finance costs

For the year ended 31 December 2019, the finance costs of the Group were approximately RMB5,219,595,000, representing an increase of approximately 17.7% as compared with approximately RMB4,433,389,000 for the corresponding period of last year, which was mainly due to the increase of weighted total amount of debt of the Group during the Year as compared to the same period of last year, and the increase in interest rate of certain interest-bearing debts as the issuer exercised option to adjust the coupon rate.

Liquidity and capital resources

As at 31 December 2019, the cash and cash equivalents of the Group were approximately RMB41,857,116,000, representing a decrease of approximately 7.8% as compared with approximately RMB45,380,413,000 of the cash and cash equivalents as at 31 December 2018. The decrease in cash and cash equivalents was mainly due to the net cash outflow for investing and financing activities of the Group.

For the year ended 31 December 2019, the Group's net cash inflow from operating activities was approximately RMB14,541,462,000, net cash outflow for investing activities was approximately RMB6,262,707,000, and net cash outflow for financing activities was approximately RMB11,815,514,000. The net cash outflow for investing activities was mainly attributable to capital expenditure and cash paid to investment in associates. The net cash outflow for financing activities was mainly attributable to the Group's further optimization of debt structure, reduction of debt level and payment of dividends during the Year.

For the year ended 31 December 2019, the capital expenditure of the Group amounted to approximately RMB3,228,462,000, mainly for the renovation and upgrading of the environmental protection projects, the payment for the quality guarantee deposits of the pre-construction projects in accordance with the relevant contracts and the construction expenditure of the Indonesia alumina project.

As at 31 December 2019, the Group had capital commitment of approximately RMB2,292,296,000, representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the renovation and upgrading of the environmental protection projects, the payment for the quality guarantee deposits of the pre-construction projects in accordance with the relevant contracts, and the construction expenditure of the Yunnan green aluminum industrial park project and the Indonesia alumina project.

For the year ended 31 December 2019, the Group's average turnover days of trade receivables were approximately 37 days, representing an increase of 19 days compared with approximately 18 days for the corresponding period of the previous year, which was mainly because the Group granted the premium downstream clients a longer credit period as the Group deepened the cooperation with the downstream clients of the aluminum industrial cluster in Binzhou.

For the year ended 31 December 2019, the Group's inventory turnover days were approximately 112 days, representing an increase of 26 days compared with approximately 86 days for the corresponding period of the previous year, which was mainly due to the Group's increased purchase of bauxite for production use, which led to an increase in its inventory balance. As international trade frictions escalated, the Group increased its purchase and reserve of raw materials with the intention of ensuring a stable and sufficient supply of the Group's raw materials while reducing the risks that international trade frictions may pose to shipping safety. The Group believes that the increased purchase volume will further reduce the procurement cost of raw materials of the Group.

Contingent liability

As at 31 December 2019 and 2018, the Group has no significant contingent liability.

Income tax

The Group's income tax for 2019 amounted to approximately RMB2,315,924,000, representing a decrease of approximately 9.2% as compared to approximately RMB2,549,440,000 for the corresponding period of last year, which was mainly attributable to the increase in deferred tax of the Group.

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

Net profit attributable to shareholders of the Company was approximately RMB6,095,335,000 for the year ended 31 December 2019, representing an increase of approximately 12.7% as compared to approximately RMB5,407,422,000 for the corresponding period of last year.

Basic earnings per share of the Company in 2019 were approximately RMB0.7087 (2018: approximately RMB0.6218).

Capital structure

The Group has established an appropriate liquidity risk management framework to manage its short, medium and long-term funding needs and to satisfy its liquidity management requirements. As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately RMB41,857,116,000 (31 December 2018: approximately RMB45,380,413,000), which were mainly put in commercial banks. Considering the needs for the Group's normal business operation and the scale of debt repayments, such level of cash and cash equivalents would facilitate in ensuring stability and flexibility of the Group's business operation. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources to satisfy the business need and maintain a good and stable financial position.

As at 31 December 2019, the total liabilities of the Group amounted to approximately RMB113,588,469,000 (31 December 2018: approximately RMB114,107,395,000). Gearing ratio (total liabilities to total assets) was approximately 63.2% (31 December 2018: approximately 64.6%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use assets as collateral for bank borrowings to provide part of the funding for its daily business operation. As at 31 December 2019, the Group had secured bank borrowings of approximately RMB8,748,738,000 (31 December 2018: approximately RMB9,019,717,000).

As at 31 December 2019, the Group's total bank borrowings were approximately RMB32,574,477,000. The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2019, approximately 36.5% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 63.5% were subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 31 December 2019, debts except bank borrowings of the Group include approximately RMB1,391,446,000 of other borrowings, approximately RMB40,025,013,000 of medium-term notes and bonds, approximately RMB1,430,492,000 of convertible bonds and approximately RMB3,457,313,000 of guaranteed notes. The interest rates of such debt financing instruments ranged from 3.84% to 8.69% per annum. Issuance of such debt financing instruments helps to optimise the Group's debt structure and reduce its financial costs.

As at 31 December 2019, the Group had net current assets of approximately RMB27,868,898,000. The Group will sustain its existing production capacity advantage, control its production costs, improve its profitability and improve its cash flow position in order to maintain the adequate liquidity of the Group.

As at 31 December 2019, the Group's liabilities were mainly denominated in RMB and US Dollars, among which, RMB liabilities accounted for approximately 85.4% of the total liabilities, and US Dollars liabilities accounted for approximately 14.6% of the total liabilities. The Group's cash and cash equivalents were mainly held in RMB and US Dollars, of which approximately 97.2% was held in RMB and approximately 2.6% was held in US Dollars.

Pledged assets

The details of the pledged assets of the Group are set out in Note 52 to the consolidated financial statement.

Employee and remuneration policy

As at 31 December 2019, the Group had a total number of 43,734 employees, representing a decrease of 3,850 employees as compared with 31 December 2018. The decrease of employees was mainly attributable to the normal employee mobility. During the Year, the total staff costs of the Group amounted to approximately RMB3,497,816,000, representing approximately 4.2% of its revenue. The remuneration packages of the employees include salaries and various types of benefits. In addition, the Group established a performance-based incentive mechanism under which the employees may be awarded by additional bonuses. The Group provided training programs for employees to equip them with the requisite working skills and knowledge.

Foreign exchange risk

The Group collected most of its revenue in RMB and funded most of its capital expenditures in RMB. As the importation of bauxite and production equipment, and certain bank balances, bank borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is exposed to certain risks of foreign exchange. As at 31 December 2019, the Group's bank balances denominated in foreign currencies were approximately RMB1,180,974,000, and liabilities denominated in foreign currencies were approximately RMB11,498,465,000. For the year ended 31 December 2019, the Group recognised foreign exchange loss of approximately RMB178,459,000.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no substantial acquisition or disposal in relation to subsidiaries, associates or joint ventures of the Company during the year ended 31 December 2019.

Significant investment held

There was no significant investment held by the Group that had a material impact on its overall operation during the year ended 31 December 2019.

Future plans for material investments or capital assets

On 15 October 2019, Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司, "Chuangye Group", a related company of the Company, and the People's Government of Yunnan Province entered into a cooperation agreement in relation to the establishment of a green aluminium innovation industrial park (the "Cooperation Agreement"). The Group will actively respond to the aforesaid Cooperation Agreement to fully enjoy and utilise the policy for integrating water, electricity and aluminum promoted by the People's Government of Yunnan Province, to further reduce the Group's production cost and reinforce its competitive advantages. The Group will formulate the best mode for participation in such green aluminum innovation industrial park upon the consideration of various factors.

On 27 November 2019, the Industry and Information Technology Department of Shandong Province approved for the Group to transfer an aluminium production capacity of approximately 2,030,000 tons to Yunnan Province. The Group would, based on the progress of the construction of Yunnan green aluminum innovation industrial park, implement the capacity target step-by-step and in stages, including the proposed transfer of the Group's certain existing production equipment to such green aluminum innovation industrial park, to reduce the effect on the Group's production volume to the greatest extent. Details are set out in the Company's announcements dated 16 October 2019 and 27 November 2019.

Save as disclosed above, the Group did not approve any other plans for material investments or purchase of capital assets during the year ended 31 December 2019 and as of the date of this annual report.

MAJOR RISKS AND UNCERTAINTIES

The Group faces certain risks and uncertainties during its operation, among which, there are certain risks that the Group cannot control. Such risks and uncertainties include factors such as economy conditions of both inside and outside China, credit policy and foreign exchange policies of the PRC, and changes related to laws, regulations and enforcement policies, and the prices and supply of raw materials and aluminum products.

With the growth and expansion of the Group's operations, the potential risks to the Group's business increase as well. In order to identify, assess and control the risks that may create impediments to the Group's success, the Group has implemented a risk management system that covers every key aspect of its business operations, including financial security, production and compliance. As the Group's risk management is a systematic project, each of its department is responsible for identifying and evaluating the risks relating to their area of operations. The Group's audit committee is responsible for overseeing and assessing the Group's risk management policy and supervising the performance of risk management system.

ENVIRONMENTAL PROTECTION POLICY

The Group has established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of the Group as a whole, such as formulating environmental-related guidelines and policies for the Group, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC, regularly inspecting the production and pollutant discharge facilities of the Group, handling the application for environmental protection approvals, inspection for the construction projects of the Group and other necessary filings and so on.

During the power generation process, the Group's power plant discharges sewage, emits air pollutants, such as sulphur dioxide, and produces noise. The Group has installed dedusting, desulphurisation and denitrificaiton equipment in its power station to reduce the emission of air pollutants. The Group has also installed water recycling and treatment equipment to minimise the impact of sewage on the environment. The Group's power station has obtained the pollutant emission permits and has satisfied the emission requirements provided by local governments. In addition, the Group has installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of the power station. The Group has implemented and completed the super-low emission's reform of all power generation units, which have met the level better than that required for the gas power generation units.

During the manufacturing process of aluminum products, the Group's factory discharges sewage, emits air pollutants and produces noise. The Group has installed equipment for dedusting as well as flue gas desulphurization and purification in the manufacturing facilities to minimise the emission of air pollutant. The Group recycles and reuses aluminum scraps generated during the production process, so as to reduce industrial waste and increase its utilization rate. In addition, the Group has installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of its manufacturing bases.

IN COMPLIANCE WITH LAWS AND REGULATIONS

The Company is established in Cayman Islands, most of the Group's operations are performed in domestic China, while the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2019 and until the date of publishing this annual report, the Group has always been committed to complying with relevant requirements of the laws and regulations in operation respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the Group's greatest assets and the Group regards the personal development of its employees as highly important. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides pre-employment, on-the-job training and development opportunities to our staff members. The training programmes cover areas such as managerial skills, sales and production, customer services, quality control, working conduct and training of other areas relevant to the industry. The Group will consider carefully about the precious feedbacks in relation to enhancing working efficiency and harmonious working atmosphere. Besides, the Group will provide competitive remunerations for employees. The Group will also grant extra bonus to employees according to their performance, as a recognition and award for employees who have contributed to the Group's growth and development.

Suppliers

The Group has developed long-term cooperative relationships with many suppliers and taken great care to ensure that they can share the Group's commitment to product quality. The Group carefully selects its suppliers and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and effectiveness of quality control. The Group also requires suppliers to comply with the Group's anti-bribery policies.

Customers

The Group has established long-term cooperative relationship with many customers by strengthening relationships with the existing customers while cultivating relationships with potential customers. The Group visits customers so as to keep contact with them. The Group has also established sales and marketing teams covering Shandong Province, Northeastern, Southern, Eastern and Northern China, where the customers are located.

FUTURE PROSPECT

Looking ahead to 2020, it is expected that the global economic growth will remain sluggish. In the beginning of 2020, the pneumonia epidemic caused by the novel coronavirus has brought significant impact on domestic industrial production, investment and consumption, and at the same time, it will also give rise to profound impact on the global supply chain system. It is expected that the aluminum industry will face greater challenges and opportunities.

While managing its existing assets properly, the Group will dedicate itself to increasing the primary aluminum production capacity through secondary aluminum and the research and development of products, and the Group plans to add new production lines for secondary aluminum. At the same time, to enhance its social responsibility, the Group will continue to increase its investment in energy conservation and environmental protection and use a variety of clean energies. In addition, the Group is optimistic about the future development of China's aluminum industry. The increasing popularity of lightweight vehicles and the continued growth of the development potential of the construction and home appliances industries will contribute to the future growth of aluminum demand. As one of the world's largest electrolytic aluminum suppliers, the Group will continue to optimize its industrial model, adhere to its core business, expedite the pace of international capacity cooperation, innovation-driven development and smart manufacturing, accelerate the development of the high-end aluminum processing industry, and maintain the cost advantages to ensure the sustainable development of the Group. In 2020, in order to actively respond to challenges in all aspects, the Group will focus on increasing efficiency, reducing consumption and improving technical indicators, and regard "stability, improvement, innovation and development" as the development requirements for the new year. Furthermore, the Group will continue to play the roles of leader, service provider and enabler, exert influence as a leader and incubator, and facilitate the high quality, efficient and sustainable development of the aluminum industry. At last, the Group will continue to optimize its financial structure, maintain a steady cash flow, further reduce the impact of market fluctuations towards the Group, and continue its efforts to maximize returns for its shareholders.

EVENTS AFTER THE REPORTING PERIOD

On 18 March 2020, 鄒平縣宏旭熱電有限公司 (Zouping County Hongxu Thermal Power Co., Ltd.) (the "Vendor"), an indirect wholly-owned subsidiary of the Company, and 山東國旭新能源有限公司(Shandong Guoxu New Energy Co., Ltd.) (the "Purchaser"), an independent third party, entered into an assets transfer agreement (the "Assets Transfer Agreement"), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the power units with an aggregate installed capacity of 1,320 MW and other relevant ancillary assets, together with all the rights and obligations attached or in relation thereto (the "Assets") at a total consideration of RMB3,000,000,000. The consideration was agreed upon by the Vendor and the Purchaser after arm's length negotiation with reference to the book value of the Assets as at 31 December 2019. The consideration shall be payable by the Purchaser to the Vendor within twelve (12) months after the date of the Assets Transfer Agreement in the following manner: (i) a sum of RMB600,000,000 shall be paid within ten (10) business days after the date of the Assets Transfer Agreement; (ii) a sum of RMB900,000,000 shall be paid before 30 September 2020; and (iii) a sum of RMB1,500,000,000 shall be paid before 28 February 2021. Please refer to the announcement of the Company dated 18 March 2020 for details.

Save as disclosed above, subsequent to 31 December 2019, as of the date of this annual report, no any other important event affecting the Group has occurred.

Directors and Senior Management

DIRECTORS

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

Name	Age	Position
Mr. ZHANG Bo	50	Chairman, Executive Director and Chief Executive Officer
Ms. ZHENG Shuliang	73	Vice Chairman and Executive Director
Ms. ZHANG Ruilian	42	Vice President, Chief Financial Officer and Executive Director
Mr. YANG Congsen	50	Non-executive Director
Mr. ZHANG Jinglei	43	Non-executive Director
Mr. CHEN Yisong	51	Non-executive Director
Mr. ZHANG Hao	46	An alternate Director of Mr. CHEN Yisong
Mr. XING Jian	70	Independent Non-executive Director
Mr. HAN Benwen	69	Independent Non-executive Director
Mr. DONG Xinyi	43	Independent Non-executive Director

Executive Directors

Mr. Zhang Bo (張波), aged 50, was appointed an executive Director and chief executive officer of the Company on 16 January 2011. He was elected as the chairman of the Board and a member of each of the remuneration committee and nomination committee of the Company on 31 May 2019. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He is responsible for the overall strategic planning and operation of the Group. He joined the Group in 2006 and has thirteen years of experience in aluminum industry. He had been the deputy general manager of Chuangye Group from April 1998 to February 1999, and successively served as the general manager, executive director, chairman of Weiqiao Textile Company limited (魏橋紡織股份有限公司) ("Weiqiao Textile", a company listed on the Stock Exchange, stock code: 2698. HK) (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and the chairman and general manager of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) ("Binzhou Industrial Park") from November 2001 to May 2010. Currently, he is the chairman and the general manager of Shandong Weiqiao Aluminum & Power Co., Ltd. (山東魏橋鋁電有限公司) ("Weiqiao Aluminum & Power") since November 2006, a director and the general manager (since January 2010) and the chairman (since June 2019) of Shandong Hongqiao New Material Co., Ltd. (山東宏橋新型材料有限公司) ("Shandong Hongqiao"), a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012, a director of Hongqiao Investment (Hong Kong) Limited since January 2015, the chairman of Chuangye Group since September 2018, a director of China Hongqiao Investment Limited (中國宏橋投資有限公司) since May 2019 and a director and the general manager of Shandong Hongtuo Industrial Company Limited (山東宏拓實業有限公司) since June 2019. He has been the chairman of Binzhou Aluminum Industry Association since June 2014, a deputy to the vice president of China Non-ferrous Metals Industry Association since March 2015, a vice chairman of the International Aluminium Institute since November 2016, the chairman of Shandong Aluminium Industry Association since March 2019 and the chairman of Binzhou Entrepreneurs Association since January 2020. He was selected by the State Council as "National Model Worker" in 2010. He is a representative of the twelfth Shandong Provincial People's Congress. Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Ms. Zheng Shuliang (鄭淑良), aged 73, was appointed the vice chairman and an executive Director of the Company on 16 January 2011. She joined the Group in July 2009. She successively held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Chuangye Group from June 1999 to June 2001. She is the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen. She is currently a director and the vice chairman of Shandong Hongqiao since January 2010 and a director of Weiqiao Alumina & Power since November 2011.

Ms. Zhang Ruilian (張瑞蓮), aged 42, has been appointed as an executive Director on 11 December 2017. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She obtained the bachelor's degree in accounting from Beijing Foreign Studies University in July 2019. She joined the Group in June 2006 and has over nineteen years of experience in accounting. She is responsible for the supervision of the Group's finance and accounting affairs. She served as the manager of audit department of Chuangye Group from December 2005 to June 2006. She has been the head of financial department of Weiqiao Alumina & Power since June 2006, a director of Weiqiao Alumina & Power since December 2014, the manager of financial department of Shandong Hongqiao since February 2010, a director and the deputy general manager of Shandong Hongqiao since December 2014, and a director of Hongqiao Trading since April 2012. She is currently the vice president (since January 2011) and the chief financial officer of the Company (since September 2014).

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 50, was appointed a non-executive Director on 16 January 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. He obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He joined the Group in January 2007 and has over nineteen years of management experiences. He was responsible for the production and operation of the self-owned power plants of the Group and was also the deputy general manager of Weiqiao Alumina & Power prior to the listing of the Company in 2011. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of thermal power plant of Chuangye Group from December 1999 to October 2003, and deputy general manager of Chuangye Group from January 2005 to June 2006. He is currently a director of Chuangye Group, a director of Shandong Hongqiao since January 2010 and a director of Weiqiao Alumina & Power since December 2006. He is the son-in-law of Ms. Zheng Shuliang and the brother-in-law of Mr. Zhang Bo.

Mr. Zhang Jinglei (張敬雷), aged 43, was appointed a non-executive Director on 16 January 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined the Group in January 2011. He joined Weiqiao Textile (a company listed on the Stock Exchange, stock code: 2698.HK) (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile (including its predecessor) from September 1998 to September 2000, and has successively worked at the securities office, production technology section and the capital markets department of Weiqiao Textile since October 2000. He is currently an executive director (since June 2010) and company secretary (since May 2010) of Weiqiao Textile and a director of Chuangye Group (since September 2018).

Mr. Chen Yisong (陳一松), aged 51, was appointed as a non-executive Director on 31 August 2018. He graduated from University of Science and Technology Beijing (北京科技大學) in Beijing, the PRC, majoring in computer science and its application in July 1990, and from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a master of economics degree majoring in finance in December 2001. Mr. Chen served as the deputy section chief and the section chief of the treasury department of China CITIC Industrial Bank (中信實業銀行, currently known as China CITIC Bank Corporation Limited (中信銀行股份有限公司, a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 998.HK and 601998.SH)) successively from March 1992 to January 1999. He served as the deputy head and the head of president office of CITIC Securities Co., Ltd. (中信證券股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600030.SH), successively from January 1999 to January 2004. From September 2004 to May 2006, Mr. Chen served as the deputy head of president office of China Construction Bank Corporation (中國建設銀行股份有限公司, a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 939.HK and 601939.SH). He also served as the deputy general manager, the general manager and the deputy chairman of the board of directors of CITIC Trust Co., Ltd. (中信信託有限責任公司) ("CITIC Trust") successively from May 2006 to June 2014. From 11 December 2017 to 2 February 2018, he had also served as a non-executive Director, and from 2 February 2018 to 31 August 2018, he had served as a strategy and development consultant of the Company. Since June 2014, Mr. Chen has been the chairman of the board of directors and the secretary of the Communist Party Committee of CITIC Trust. He has also been an executive director of CTI Capital Management Limited (中信信惠國際資本有限公司) ("CTICM") since October 2014.

Mr. Zhang Hao (張浩), aged 46, was appointed as an alternate Director of Mr. Chen Yisong on 31 August 2018. He graduated from University of International Business and Economics (對外經濟貿易大學, formerly known as China Institute of Finance (中國金融學院)) in Beijing, the PRC with a bachelor of economics degree majoring in international finance in July 1996. He served as a foreign exchange trader and the deputy manager of the treasury department of China CITIC Industrial Bank (中信實業銀行, currently known as China CITIC Bank Corporation Limited (中信銀行股份有限公司, a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 998.HK and 601998.SH)) successively from August 1996 to June 2003. He served as a director of the financial market department of Calyon Hong Kong Limited from July 2003 to June 2005, and an executive director of financial market department of Bear Stearns Asia Limited from July 2005 to June 2008. He also served as the managing director of financial market department of Standard Chartered Bank (HK) Ltd. from July 2008 to July 2014. From 11 December 2017 to 2 February 2018, he was appointed as an alternate Director to Mr. Chen Yisong, a non-executive Director. Since August 2014, he has served as the chief executive officer and the executive director of CTICM and also served in CTI Capital Hong Kong Limited (中信信惠國際資本(香港)有限公司, being a wholly-owned subsidiary of CTICM and holding licenses issued by the Securities and Futures Commission of Hong Kong to carry out regulated activities) as the chief executive officer, executive director, the responsible officer for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities and the licensed representative for type 9 (asset management) regulated activities. Mr. Zhang concurrently serves as the director of international business of CITIC Trust.

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 70, was appointed an independent non-executive Director on 16 January 2011. He graduated from Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) and obtained a university diploma in economics and management in December 1995. He held the positions of deputy secretary and secretary of Weiqiao Town of Zouping County from August 1982 to October 1985, deputy mayor of Zouping County from October 1985 to February 1987, deputy secretary and county mayor of Gaoqing County from February 1987 to January 1994, director and party secretary of Audit Bureau of Zibo City of Shandong Province from July 1994 to March 1999, deputy commissioner and party secretary of Special Commissioner Office of National Auditing Administration in Jinan from April 1999 to January 2001, deputy director of Head Office Service Bureau of National Auditing Administration from January 2001 to May 2002, director of Building Materials Auditing Bureau of National Auditing Administration from May 2002 to August 2008 and auditor of Social Insurance Auditing Bureau of National Auditing Administration from August 2008 to June 2009.

Mr. Han Benwen (韓本文), aged 69, was appointed an independent non-executive Director on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. He worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) (formerly known as Zouping Jianxin Certified Public Accountants Corporation (鄒平鑒鑫有限責任會計師事務所)) as an accountant from December 1999 to February 2007. He has been working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

Mr. Dong Xinyi (董新義), aged 43, has been appointed as an independent non-executive Director on 11 December 2017. He graduated from Northwest Institute of Politics and Law (西北政法學院, currently known as Northwest University of Politics and Law (西北政法大學)) in Xi'an, Shanxi Province, the PRC with a bachelor of law degree majoring in international economic law in July 2000; from Korea University in Seoul, Korea with a master of law degree in August 2006 and the degree of doctor of philosophy in law in August 2009, respectively. He served as a clerk at the civil and administrative procuratorial office, the People's Procuratorate of Huangdao District, Qingdao City, Shandong Province from July 2000 to March 2004. He served as the department head of the legal affair department of Sino-Korea Future Urban Development Co., Ltd. (韓中未來城市開發株式會社) in Korea from July 2009 to July 2010. He served as a postdoctoral researcher at Law School of Renmin University of China (中國人民大學) from July 2010 to June 2012. Since July 2012, he has been serving in various positions at Central University of Finance and Economics (中央財經大學, the "CUFE"), including as a teaching staff and an associate professor. He has concurrently been serving as the deputy head of the Research Center for Internet and Informal Finance Laws of CUFE (中央財經大學互聯網金融與民間融資法治研究中心) since May 2015 and the head of Research Center for Technology and Finance Law of CUFE (中央財經大學科技與金融法律研究中心) since June 2017. He has also been the director of Beijing Institute of Financial Services Law (北京市金融服務法學研究會) since December 2014, an attorney at Beijing King & Capital Law Firm (北京市京都律師事務所) since February 2016, and the director of Institute of Securities Law of China Law Society (中國法學會證券法學研究會) since April 2017. He served as a supervisor of Woori Bank (China) Limited (友利銀行(中國)有限公司) from September 2013 to January 2020 and has served as an independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) since January 2020. He has been a non-executive director of Zhonghao Xiangyu Investment Management Co., Ltd. (中皓翔宇投資管理有限公司) since February 2016, and an independent director of Guangdong Green Precision Components Co., Ltd. (廣東格林精密部件股份有限公司) since September 2016.

SENIOR MANAGEMENT

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

COMPANY SECRETARY

Ms. Zhang Yuexia (張月霞), aged 44, was appointed the secretary of the Company on 16 January 2011. She graduated from Binzhou Normal Specialised Postsecondary College (濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She has over eighteen years of accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy head of the securities department of Weiqiao Textile (a company listed on the Stock Exchange, stock code: 2698.HK) from March 2008 to January 2010. She has been serving as the director of Hongqiao Trading since April 2012. She had not served any position in the Group prior to 16 January 2011.

The Directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and sales of aluminum products. Currently, the Group's aluminum products consist of molten aluminum alloy, aluminum alloy ingots, aluminum busbars, aluminum alloy processing products and alumina products.

Details of the subsidiaries of the Company are set out in note 60 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and distribute dividends to the shareholders of the Company to allow shareholders to share the Company's profits and the Company to retain adequate reserves for future growth.

According to the articles of association of the Company (the "Articles of Association"), the declaration of dividends is subject to the discretion of the Board and the approval of the shareholders. In proposing any dividend payment, the Directors shall take into account the Company's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements as well as any other factors as they may deem relevant at such time. Any declaration, payment and the amount of the dividends will be subject to the Articles of Association and the Companies Law of the Cayman Islands, including the approval of the shareholders. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

The dividends paid by the Company will also depend upon the availability of dividends received from the Company's subsidiaries in the PRC. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their profit for the year as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's subsidiaries may also be restricted if they incur debt or losses or pursuant to any restrictive covenants in bank credit facilities or other agreements that the Company or the Company's subsidiaries and associated companies may enter into.

Any dividends declared will be in Hong Kong dollars with respect to the shares of the Company on a per share basis, and the Company will pay such dividends in Hong Kong dollars.

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2019 and the financial position of the Group as at 31 December 2019 are set out on pages 72 to 74 in the audited consolidated financial statements of this annual report.

The Board proposed the payment of a final dividend of HK34.0 cents per share for the year ended 31 December 2019 (the "2019 Final Dividend"). The 2019 Final Dividend, subject to the approval of the shareholders at the annual general meeting of the Company (the "2019 Annual General Meeting") which will be held on 22 May 2020, will be paid on 26 June 2020 to the shareholders whose names appear on the register of members of the Company on 12 June 2020.

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the Year.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020 (both days inclusive), during which no transfer of shares will be effected. Shareholders of the Company whose names appear on the register of members of the Company on Monday, 18 May 2020 are entitled to attend and vote at the forthcoming 2019 Annual General Meeting. In order to be entitled to attend the 2019 Annual General Meeting and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Friday, 15 May 2020. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The share register of the Company will be closed from Monday, 8 June 2020 to Friday, 12 June 2020 (both days inclusive), during which no transfer of shares will be effected. Shareholders of the Company whose names appear on the register of members of the Company on Friday, 12 June 2020 are entitled to the 2019 Final Dividend. In order to qualify for the 2019 Final Dividend, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Friday, 5 June 2020. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group for the years ended 31 December 2015, 2016 and 2017, and from the audited consolidated financial statements of the Group for the years ended 31 December 2018 and 2019 on pages 72 to 74 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000* (restated)*	*RMB'000*	***RMB'000***
Revenue	44,109,934	61,395,578	97,941,916	90,194,924	**84,179,288**
Cost of sales	(35,081,530)	(47,199,245)	(81,561,674)	(74,794,362)	**(67,715,035)**
Gross profit	9,028,404	14,196,333	16,380,242	15,400,562	**16,464,253**
Other income and gains	744,676	1,019,222	2,497,598	2,135,396	**3,140,517**
Selling and distribution expense	(88,449)	(164,269)	(270,215)	(371,206)	**(449,041)**
Administrative expenses	(878,696)	(2,080,550)	(2,083,209)	(3,867,211)	**(3,645,691)**
Other expenses	(42,670)	(20,063)	(5,678,876)	(706,916)	**(2,166,798)**
Finance costs	(3,217,096)	(3,345,896)	(4,080,942)	(4,433,389)	**(5,219,595)**
Changes in the fair values of financial instruments	(209,932)	25,987	(19,897)	397,683	**138,077**
Share (loss) profit of associates	(284)	129,012	371,989	429,545	**509,345**
Gain (loss) on disposal of subsidiaries	–	4,561	–	(648,772)	**–**
Profit before taxation	5,335,953	9,764,337	7,116,690	8,335,692	**8,771,067**
Income tax expenses	(1,657,994)	(2,948,667)	(1,788,953)	(2,549,440)	**(2,315,924)**
Profit for the year	3,677,959	6,815,670	5,327,737	5,786,252	**6,455,143**
Profit (loss) for the year attributable to:					
Owners of the parent	3,706,512	6,849,829	5,130,064	5,407,422	**6,095,335**
Non-controlling interests	(28,553)	(34,159)	197,673	378,830	**359,808**

Assets and liabilities

	As at 31 December				
	2015	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000* (restated)*	*RMB'000*	***RMB'000***
Total assets	106,517,979	142,521,467	158,684,987	176,726,892	**179,604,445**
Total liabilities	70,223,321	96,833,165	104,947,420	114,107,395	**113,588,469**

* Restatement for business combination under common control due to the acquisition of Chongqing Weiqiao Financial Factoring Co., Ltd.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 17 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2019 are set out in notes 37, 38, 39, 40, 41 and 42 to the consolidated financial statements.

SHARE CAPITAL, DEBENTURES AND EQUITY-LINKED AGREEMENTS

Details of the changes in share capital of the Company during the year ended 31 December 2019 are set out in note 45 to the consolidated financial statements. Details of the Company's bonds and notes during the year ended 31 December 2019 are set out in notes 39, 40, 41 and 42 to the consolidated financial statements. The Company does not have any share option scheme. During the year ended 31 December 2019, the Company has not entered into any equity-linked agreement, nor there was any equity-linked agreement subsisting at the end of the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the law of the Cayman Islands, and there is no restriction regarding such rights which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2019 and as of the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 and up to the date of this annual report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares in, or debentures of, the Company or any other body corporate or had exercised any such right in the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year under Review, on 14 January 2019, 16 January 2019, 17 January 2019, 18 January 2019, 25 March 2019, 26 March 2019, 27 March 2019, 28 March 2019, 29 March 2019, 9 April 2019, 10 April 2019, 11 April 2019, 12 April 2019, 22 May 2019, 23 May 2019, 24 May 2019, 27 May 2019 and 29 May 2019, pursuant to the share repurchase mandates granted by the shareholders of the Company at the annual general meetings held on 16 May 2018 and 22 May 2019, the Company repurchased 620,000 ordinary shares, 2,406,500 ordinary shares, 1,880,000 ordinary shares, 1,060,000 ordinary shares, 8,000,000 ordinary shares, 8,375,000 ordinary shares, 6,174,000 ordinary shares, 10,150,000 ordinary shares, 9,150,000 ordinary shares, 4,500,000 ordinary shares, 4,150,000 ordinary shares, 8,500,000 ordinary shares, 7,000,000 ordinary shares, 6,423,000 ordinary shares, 10,189,000 ordinary shares, 3,798,000 ordinary shares, 7,517,500 ordinary share and 4,649,500 ordinary shares of the Company, respectively. There were 104,542,500 ordinary shares repurchased in total. On 25 January 2019, 9 April 2019, 24 April 2019, 3 June 2019 and 19 June 2019, the Company cancelled 104,542,500 ordinary shares repurchased in total, representing approximately 1.22% of the total issued shares of the Company as at 31 December 2019.

The share repurchase of the Company was made as the Board was of the view that the Company's share price had deviated from the Company's value. The share repurchase reflects the confidence of the Board and the management team in the long-term strategy and growth of the Company. The Board considers that the share repurchase was in the best interest of the Company and its shareholders as a whole.

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

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share		Consideration paid (excluding the commissions and other expenses)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
14 January 2019	620,000	4.80	4.79	2,975,000
16 January 2019	2,406,500	5.05	4.95	12,072,000
17 January 2019	1,880,000	5.07	5.05	9,511,000
18 January 2019	1,060,000	5.05	5.04	5,352,000
25 March 2019	8,000,000	5.65	5.39	44,837,000
26 March 2019	8,375,000	5.71	5.62	47,444,000
27 March 2019	6,174,000	5.77	5.61	35,271,000
28 March 2019	10,150,000	5.89	5.78	59,551,000
29 March 2019	9,150,000	5.92	5.74	53,809,000
9 April 2019	4,500,000	6.53	6.20	28,798,000
10 April 2019	4,150,000	6.68	6.49	27,357,000
11 April 2019	8,500,000	6.75	6.61	57,154,000
12 April 2019	7,000,000	6.76	6.57	46,800,000
22 May 2019	6,423,000	5.50	5.21	34,977,000
23 May 2019	10,189,000	5.56	5.34	55,917,000
24 May 2019	3,798,000	5.54	5.49	20,894,000
27 May 2019	7,517,500	5.51	5.34	41,137,000
29 May 2019	4,649,500	5.57	5.40	25,589,000
Total	104,542,500			609,445,000

For details, please refer to the next day disclosure return of the Company dated 15 January 2019, 17 January 2019, 18 January 2019, 21 January 2019, 26 March 2019, 27 March 2019, 28 March 2019, 29 March 2019, 1 April 2019, 10 April 2019, 11 April 2019, 12 April 2019, 15 April 2019, 23 May 2019, 24 May 2019, 27 May 2019, 28 May 2019 and 30 May 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019 and as of the date of this annual report.

REDEMPTION OF US$450,000,000 6.85% SENIOR UNSECURED NOTES DUE 2019

On 17 April 2018, the Company issued 6.85% senior unsecured notes due 2019 in the aggregate principal amount of US$450,000,000 (the "Notes Due 2019"). The Notes Due 2019 matured on 22 April 2019 (the "Maturity Date"), and the Company redeemed the Notes Due 2019 in full at their principal amount together with interest accrued to the Maturity Date. Please refer to the announcements of the Company dated 13 April 2018, 17 April 2018, 27 April 2018 and 23 April 2019 for details.

ISSUE OF US$300,000,000 7.125% SENIOR UNSECURED NOTES DUE 2022

On 15 July 2019, the Company issued 7.125% senior unsecured notes due 2022 in the aggregate principal amount of US$300,000,000. The issue price of the notes was 100% of the principal amount of the notes. The net proceeds from the notes issue, after deducting the underwriting discounts and commission and other expenses payable in connection with this offering, were approximately US$296,000,000. The notes were listed and quoted on the SGX-ST. The Directors consider that the notes issue represents a good opportunity to improve the cash flow of the Company and to obtain immediate funding which can be used for refinancing certain existing indebtedness with the remainder for general corporate purposes and the terms and conditions of the notes are fair and reasonable and are in the interest of the shareholders of the Company taken as a whole. The proceeds were used by the Company as described in the announcement of the Company dated 16 July 2019. Please refer to the announcements of the Company dated 15 July 2019, 16 July 2019 and 25 July 2019 for details.

ISSUE OF US$200,000,000 7.375% SENIOR UNSECURED NOTES DUE 2023

On 24 September 2019, the Company issued 7.375% senior unsecured notes due 2023 in the aggregate principal amount of US$200,000,000. The issue price of the notes was 99.987% of the principal amount of the notes. The net proceeds from the notes issue, after deducting the underwriting discounts and commission and other expenses payable in connection with this offering, were approximately US$197,300,000. The notes were listed and quoted on the SGX-ST. The Directors consider that the notes issue represents a good opportunity to improve the cash flow of the Company and to obtain immediate funding which can be used for refinancing certain existing indebtedness with the remainder for general corporate purposes and the terms and conditions of the notes are fair and reasonable and are in the interest of the shareholders of the Company taken as a whole. The proceeds were used by the Company as described in the announcement of the Company dated 25 September 2019. Please refer to the announcements of the Company dated 24 September 2019, 25 September 2019 and 4 October 2019 for details.

CORPORATE BONDS OF SHANDONG HONGQIAO

(1) On 12 September 2013, the Company's subsidiary, Shandong Hongqiao, obtained the "Approval for the Issue of 2013 Corporate Bonds by Shandong Hongqiao New Material Co., Ltd. (Fa Gai Cai Jin [2013] No. 1654)" (《關於山東宏橋新型材料有限公司發行2013年公司債券核准的批覆》) from the National Development and Reform Commission of the PRC, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB2,300,000,000 in the PRC.

(i) On 3 March 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (first tranche), with an offering size of RMB1,200,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fifth year), carrying an interest of 8.69% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 12 February 2019 to 18 February 2019, the sale-back amount of the bond holders is RMB50,040,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,149,960,000, and the coupon rate is still 8.69%.

(ii) On 21 August 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (second tranche), with an offering size of RMB1,100,000,000, for a term of 3+2+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third and fifth year), carrying interest of 7.45% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 1 August 2017 to 7 August 2017, the sale-back amount of the bond holders is RMB743,638,000. On 1 August 2017, Shandong Hongqiao resold the repurchased bonds above, for a resold amount of RMB700,000,000. After the completion of the resold, the remaining amount of the bonds is RMB1,056,362,000 and the coupon rate is still 7.45%. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 31 July 2019 to 6 August 2019, the sale-back amount of the bond holders is RMB427,471,000. On 21 August 2019, Shandong Hongqiao resold the repurchased bonds above, for a resold amount of RMB427,471,000. After the completion of the resold, the remaining amount of the bonds is RMB1,056,362,000 and the coupon rate is still 7.45%.

(2) On 11 January 2016, Shandong Hongqiao obtained the "No-objection Letter to the Listing and Transfer of Corporate Bonds Issued by Shandong Hongqiao New Material Co., Ltd. by Non-public Issuance (Shang Zheng Han [2016] No. 42)" (《關於對山東宏橋新型材料有限公司非公開發行公司債券掛牌轉讓無異議的函》) from the Shanghai Stock Exchange, approving Shandong Hongqiao to issue the corporate bonds by non-public issuance of not more than RMB6,000,000,000 in the PRC.

(i) On 2 June 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (first tranche), with an offering size of RMB3,000,000,000, for a term of 2+1 years (3-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the second year), carrying interest of 6.05% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 7 May 2018 to 11 May 2018, the sale-back amount of the bond holders is RMB1,242,000,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,758,000,000, and the coupon rate increases to 6.95%. The bonds matured on 2 June 2019 and Shandong Hongqiao has redeemed the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.

(ii) On 15 July 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB3,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 6.48% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 17 June 2019 to 21 June 2019, the sale-back amount of the bond holders is RMB2,974,000,000. After the completion of the sale-back, the remaining amount of the bonds is RMB26,000,000 and the coupon rate increases to 6.80%.

(3) On 25 November 2015, Shandong Hongqiao obtained the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Hongqiao New Material Co., Ltd. (Zheng Jian Xu Ke [2015]) No. 2732)" (《關於核准山東宏橋新型材料有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB6,000,000,000 in the PRC.

(i) On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche) (type 1), with an offering size of RMB2,000,000,000 for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.10% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 30 November 2018 to 4 December 2018, the sale-back amount of the bond holders is RMB50,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,999,950,000, and the coupon rate increases to 7.30%.

(ii) On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche) (type 2), with an offering size of RMB1,000,000,000, for a term of 5 years, carrying an interest of 4.88% per annum.

(iii) On 27 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB1,800,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.50% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 14 December 2018 to 18 December 2018, the sale-back amount of the bond holders is RMB0. After the completion of the sale-back, the remaining amount of the bonds is RMB1,800,000,000, and the coupon rate increases to 7.00%.

(iv) On 24 February 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (third tranche), with an offering size of RMB1,200,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.04% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 8 January 2019 to 10 January 2019, the sale-back amount of the bond holders is RMB1,760,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,198,240,000, and the coupon rate increases to 6.70%.

CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER

(1) On 8 October 2015, the Company's subsidiary, Weiqiao Aluminum & Power received the "Approval for the Issue of Corporate Bonds by Shandong Weiqiao Aluminum & Power Co., Ltd. (Fa Gai Cai Jin [2015] No. 2249)" (《關於山東魏橋鋁電有限公司發行公司債券核准的批覆》) from the National Development and Reform Commission of the PRC approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB1,000,000,000 in the PRC.

(i) On 26 October 2015, Weiqiao Alumina & Power completed the issuance of 2015 corporate bonds in the PRC, with an offering size of RMB1,000,000,000, for a term of 4+3 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fourth year), carrying interest of 5.26% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 30 September 2019 to 11 October 2019, the sale-back amount of the bond holders is RMB999,786,000. After the completion of the sale-back, the remaining amount of the bonds is RMB214,000 and the coupon rate increases to 6.26%.

(2) On 14 January 2016, Weiqiao Alumina & Power received the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016]) No. 102)" (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB6,000,000,000 in the PRC.

(i) On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche) (type 1), with an offering size of RMB3,500,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.27% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 21 January 2019 to 25 January 2019, the sale-back amount of the bond holders is RMB0. After the completion of the sale-back, the remaining amount of the bonds is RMB3,500,000,000, and the coupon rate increases to 6.50%.

(ii) On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche) (type 2), with an offering size of RMB500,000,000, for a term of 5 years, carrying an interest of 4.83% per annum.

(iii) On 22 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB2,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.20% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 1 February 2019 to 14 February 2019, the sale-back amount of the bond holders is RMB0. After the completion of the sale-back, the remaining amount of the bonds is RMB2,000,000,000, and the coupon rate increases to 6.30%.

(3) On 17 August 2016, Weiqiao Alumina & Power received the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016]) No. 1872)" (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB7,800,000,000 in the PRC.

 (i) On 17 October 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (third tranche), with an offering size of RMB7,800,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fifth year), carrying interest of 4.00% per annum.

(4) On 22 February 2019, Weiqiao Alumina & Power received "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2019]) No. 238)" (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue corporate bonds of no more than RMB5,300,000,000 in the PRC.

 (i) On 26 March 2019, Weiqiao Alumina & Power completed the issuance of 2019 domestic corporate bonds (first tranche), with an offering size of RMB2,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 6.00% per annum.

ADJUSTMENT OF THE PRINCIPAL AMOUNT AND THE CONVERSION PRICE OF 5.0% CONVERTIBLE BONDS DUE 2022

On 28 November 2017, the Company successfully issued the convertible bonds of the Company with an initial principal amount of US$320,000,000 to CNCB (Hong Kong) Investment Limited under the convertible bonds specific mandate with an initial conversion price (subject to adjustment) of HK$8.16. The net proceeds of the convertible bonds placing were approximately US$316,800,000 which the Company has fully ultilised for the uses as described in the announcement of the Company dated 15 August 2017. Please refer to the announcement of the Company dated 15 August 2017, the circular dated 2 November 2017, the poll results announcement dated 20 November 2017 and the announcement dated 28 November 2017, respectively, for details.

On 25 January 2018, CNCB (Hong Kong) Investment Limited converted the convertible bonds for 23% of the initial principal amount held by it into 70,544,156 shares of the Company at the initial conversion price of HK$8.16 per share. Please refer to the announcement of the Company dated 15 August 2017 and the next day disclosure return dated 25 January 2018, respectively, for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2016 and a special dividend, the conversion price per share was adjusted from HK$8.16 to HK$7.71 effective from 7 February 2018. Please refer to the announcement of the Company dated 7 February 2018 for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2017, the conversion price per share was adjusted from HK$7.71 to HK$7.53 effective from 12 June 2018. Please refer to the announcement of the Company dated 13 July 2018 for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2018, the conversion price per share was adjusted from HK$7.53 to HK$7.21 effective from 17 June 2019. Please refer to the announcement of the Company dated 17 June 2019 for details.

CHARITABLE DONATIONS

Weiqiao Aluminum & Power, a wholly-owned subsidiary of the Company, donated RMB500,000 in scholarships to Central South University (中南大學) during the year ended 31 December 2019, and donated approximately RMB1,460,000 to the Yunnan Weiqiao Rainbow House public welfare project on 9 September 2019.

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 December 2019 are set out in note 59 to the consolidated financial statements.

TAX RELIEF

The Directors are not aware of any relief from taxation to which the shareholders are entitled by reason of their holding of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, sales to the Group's five largest customers and sales to the Group's largest customer accounted for 55.1% and 35.6% of the Group's total sales for the year ended 31 December 2019 respectively.

During the year ended 31 December 2019, purchases from the Group's five largest suppliers and purchases from the Group's largest supplier accounted for 41.9% and 21.7% of the Group's total purchases for the year ended 31 December 2019 respectively.

CTICM and its related company CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), currently holding 877,184,826 shares of the Company, representing 10.23% of the total issued shares of the Company as at 31 December 2019, were both indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司). Another indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司) is one of the five largest customers of the Group during the year ended 31 December 2019. For details, please refer to the section "Connected Transactions" below.

Save as disclosed above, none of the Directors. their close associates or any other shareholders (which to the knowledge of the Board own more than 5% of the Company's issued share capital) had any equity interests in the five largest customers or suppliers of the Group during the year ended 31 December 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Board considers each of the independent non-executive Directors to be independent.

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance. None of the Directors waived or agreed to waive any emoluments during the Year. Details in relation to the emoluments of the Directors, chief executive and five highest paid employees for the year ended 31 December 2019 are included in notes 13 and 14 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years with effect from their respective dates of appointment, unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association. None of the Directors proposed for re-election at the 2019 Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The list of the Directors of the Company during the year ended 31 December 2019 and as of the date of this annual report are as follows:

Executive Directors:

Mr. ZHANG Shiping *(Passed away on 23 May 2019)*
Mr. ZHANG Bo *(Chairman, Chief Executive Officer, Authorised Representative)*
Ms. ZHENG Shuliang *(Vice Chairman)*
Ms. ZHANG Ruilian *(Vice President, Chief Financial Officer)*

Non-Executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. CHEN Yisong *(Mr. ZHANG Hao as his alternate)*

Independent Non-Executive Directors:

Mr. XING Jian
Mr. HAN Benwen
Mr. DONG Xinyi

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of each of the Directors and senior management are set out on page 18 to page 22 in this annual report.

CHANGES IN INFORMATION OF DIRECTOR AND CHIEF EXECUTIVE

On 23 May 2019, Mr. Zhang Shiping, the chairman of the Board, an executive Director and a member of each of the remuneration committee and nomination committee of the Company, passed away and ceased to be the chairman of the Board, the executive Director as well as the member of each of the remuneration committee and nomination committee of the Company.

Mr. Zhang Bo, an executive Director and the chief executive officer of the Comapny, has served as the director of China Hongqiao Investment Limited (中國宏橋投資有限公司) (a wholly-owned subsidiary of the Company) since 23 May 2019, the chairman of the Board and a member of each of the remuneration committee and nomination committee of the Company since 31 May 2019, the chairman of Shandong Hongqiao (a wholly-owned subsidiary of the Company) since 5 June 2019, and a director and the general manager of Shandong Hongtuo Industrial Company Limited (山東宏拓實業有限公司) (a wholly-owned subsidiary of the Company) since 13 June 2019. He was appointed as the chairman of Binzhou Entrepreneurs Association on 15 January 2020.

Mr. Dong Xinyi, an independent non-executive Director, has ceased to be a supervisor of Woori Bank (China) Limited (友利銀行(中國)有限公司) since January 2020 and has served as an independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) since January 2020.

Save for that disclosed above, for the year ended 31 December 2019 and up to the date of this annual report, there was no other change in the Directors and chief executive of the Company, and the Company is not aware of any other changes in the information of the Directors and chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" herein, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any other transaction, arrangement or contract of the Company or any of its subsidiaries which was of significance to the business of the Group and subsisted during the year ended 31 December 2019 or at the end of such year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as it is known to the Directors and the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in the total issued share capital as at 31 December 2019 (%)
Shiping Prosperity Private Trust Company [(1)]	Trustee	6,076,513,573 (L)	70.90
China Hongqiao Holdings Limited [(1)]	Beneficial owner	6,076,513,573 (L)	70.90
CTI Capital Management Limited [(2)]	Beneficial owner	806,640,670 (L)	9.41
CNCB (Hong Kong) Investment Limited [(2)]	Beneficial owner	70,544,156 (L)	0.82
CITIC Limited [(2)]	Interest of a controlled corporation	877,184,826 (L)	10.23
CITIC Group Corporation [(2)]	Interest of a controlled corporation	877,184,826 (L)	10.23

Notes:

(1) Shiping Prosperity Private Trust Company held such shares as the trustee.

(2) CITIC Group Corporation held 100% interest in CITIC Polaris Limited, which held 32.53% interest in CITIC Limited, and CITIC Group Corporation also held 100% interest in CITIC Glory Limited, which held 25.60% interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% interest in CITIC Limited. CITIC Limited held 100% interest in CITIC Corporation Limited. CITIC Corporation Limited held 80% interest in CITIC Trust Co., Ltd. and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 20% interest in CITIC Trust Co., Ltd. Thus, CITIC Corporation Limited directly and indirectly held 100% interest in CITIC Trust Co., Ltd.. CITIC Trust Co., Ltd. held 100% interest in CTI Capital Management Limited, and thus CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CTI Capital Management Limited under the SFO.

CITIC Limited held 65.37% interest in total in China CITIC Bank Corporation Limited, which held 99.05% interest in CNCB (Hong Kong) Investment Limited and 100% interest in CITIC International Financial Holdings Limited, which held 75% interest in China CITIC Bank International Limited, which in turn held 0.95% in CNCB (Hong Kong) Investment Limited, thus China CITIC Bank Corporation Limited directly and indirectly held 99.7625% interest in CNCB (Hong Kong) Investment Limited. Thus, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares held by CNCB (Hong Kong) Investment Limited under the SFO.

Save as disclosed above, as at 31 December 2019, so far as it is known to the Directors and the chief executive of the Company, there was no any other person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

DIRECTORS' AND CHIEF EXECUTIVE OF THE COMPANY'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to section 352 of the SFO, to be entered in the register referred to therein; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in the total issued share Capital as at 31 December 2019 (%)
Mr. ZHANG Bo	Beneficial owner	8,870,000 (L)	0.10

Save as disclosed above, as at 31 December 2019, there was no other Directors or chief executive of the Company or any of their spouse or children under the age of 18 who had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to section 352 of the SFO, to be entered in the register referred to therein; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into by the Company or subsisted during the year ended 31 December 2019.

CONTRACTS OF SIGNIFICANCE

No contract of significance was entered into between the Company or any of its subsidiaries and its controlling shareholder or any of its subsidiaries or for the provision of services to the Company or any of its subsidiaries by its controlling shareholder or any of its subsidiaries during the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association, the Directors, secretary and other officers and every auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company, and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has purchased and maintained Directors' and senior management liability insurance for the year ended 31 December 2019, which provides appropriate protection over certain legal actions brought against its Directors and senior management.

CONNECTED TRANSACTIONS

The following transactions disclosed in note 55 to the consolidated financial statements constituted non-exempt continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

1. **Supply of water to the Group for production use by Jinsha Water Supply**

   Binzhou City Zhanhua District Huihong Aluminum Profiles Co., Ltd. ("Zhanhua Huihong"), the Company's indirectly wholly-owned subsidiary, and Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply"), a connected person of the Company, entered into a production water supply agreement (the "Old Production Water Supply Agreement") on 29 June 2015 pursuant to which Jinsha Water Supply agreed to supply water to Zhanhua Huihong (including its related party(ies)) for production use, for a term ending on 31 December 2017. Pursuant to the renewal mechanism of such agreement, Zhanhua Huihong and Jinsha Water Supply entered into a production water supply agreement (the "Production Water Supply Agreement") on 20 November 2017, for a term from 1 January 2018 to 31 December 2020, both days inclusive. The terms and conditions under the Production Water Supply Agreement are basically the same as those under the Old Production Water Supply Agreement.

   The price of the water supplied by Jinsha Water Supply to Zhanhua Huihong is approximately RMB1.748 per ton (excluding the value-added tax) or RMB1.8 per ton (including 3% value-added tax). Jinsha Water Supply is entitled to charge an additional channel fee of no more than RMB0.15 per ton (including 3% value-added tax) based on the water supply distance. The prices were determined with reference to the prices charged by Jinsha Water Supply to other independent third parties for the supply of water on normal commercial terms in its ordinary and usual course of business. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Production Water Supply Agreement.

During the Year, the purchase of production water under the Production Water Supply Agreement by Zhanhua Huihong from Jinsha Water Supply amounted to approximately RMB18,280,000, which was below the annual cap of RMB162,234,000 for the year 2019.

Jinsha Water Supply was held as to 42.00% by Chuangye Group, and on the date of entering into the Production Water Supply Agreement, Chuangye Group was held by the relevant Director of the Company as to 31.59%. Therefore, Jinsha Water Supply was a connected person of the Company. The details of the above continuing connected transaction were disclosed in the announcements of the Company dated 29 June 2015 and 20 November 2017.

2. Supply of steam to Binzhou Industrial Park for production use by Binzhou City Hongnuo

Binzhou City Hongnuo New Material Co., Ltd. ("Binzhou City Hongnuo"), an indirectly wholly-owned subsidiary of the Company, and Binzhou Industrial Park, a connected person of the Company, entered into a steam supply agreement on 3 July 2015, pursuant to which Binzhou City Hongnuo agreed to supply steam to Binzhou Industrial Park for its production use, for a term ending on 31 December 2017. Pursuant to the renewal mechanism of such agreement, Binzhou City Hongnuo and Binzhou Industrial Park entered a the steam supply agreement (the "Binzhou Steam Supply Agreement") on 20 October 2017 for a period from 1 January 2018 to 31 December 2019, both days inclusive. Pursuant to the renewal mechanism of such agreement, Binzhou City Hongnuo and Binzhou Industrial Park entered into a steam supply agreement (the "Renewed Binzhou Steam Supply Agreement") on 21 October 2019 for a period from 1 January 2020 to 31 December 2022, both days inclusive. The terms and conditions under the Renewed Binzhou Steam Supply Agreement are basically the same as those under the Binzhou Steam Supply Agreement.

The price of the steam supplied by Binzhou City Hongnuo to Binzhou Industrial Park is RMB170 per ton (including value-added tax, the value added tax from 1 July 2017 to 30 April 2018, from 1 May 2018 to 31 March 2019 and from 1 April 2019 were 11%, 10% and 9% respectively) and is determined with reference to the prices at which the same or comparable types of steam used for production are supplied by Binzhou City Hongnuo to any independent third parties on normal commercial terms in its ordinary and usual course of business in Binzhou, Shandong Province, the PRC. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Renewed Binzhou Steam Supply Agreement.

During the Year, the sales of steam under the Binzhou Steam Supply Agreement by Binzhou City Hongnuo to Binzhou Industrial Park amounted to approximately RMB6,507,000, which was below the annual cap of RMB35,490,000 for the year 2019.

Binzhou Industrial Park was a non-wholly owned subsidiary of Weiqiao Textile, which in turn was held as to 63.67% by Chuangye Group. On the date of entering into the Binzhou Steam Supply Agreement, Chuangye Group was held by the relevant Director of the Company as to 31.59%. Therefore, Binzhou Industrial Park was a connected person of the Company. The details of the above continuing connected transaction were disclosed in the announcements of the Company dated 3 July 2015 and 20 October 2017.

3. **Supply of steam to Ming Hong Textile for production use by Hongli Thermal Power**

Zouping County Hongli Thermal Power Co., Ltd.("Hongli Thermal Power"), an indirectly wholly-owned subsidiary of the Company, and Shandong Ming Hong Textile Technology Co., Ltd.("Ming Hong Textile"), a connected person of the Company, entered into a steam supply agreement ("Weiqiao Steam Supply Areement") on 20 October 2017, pursuant to which Hongli Thermal Power agreed to supply steam to Ming Hong Texile for its production use for the period from 20 October 2017 to 31 December 2019, both days inclusive. Pursuant to the renewal mechanism of such agreement, Hongli Thermal Power and Ming Hong Textile entered into a steam supply agreement (the "Renewed Weiqiao Steam Supply Agreement") on 21 October 2019 for a period from 1 January 2020 to 31 December 2022, both days inclusive. The terms and conditions under the Renewed Weiqiao Steam Supply Agreement are basically the same as those under the Weiqiao Steam Supply Agreement.

The price of the steam supplied by Hongli Thermal Power to Ming Hong Textile is RMB150 per ton (including value-added tax, the value added tax from 1 July 2017 to 30 April 2018, from 1 May 2018 to 31 March 2019 and from 1 April 2019 were 11%, 10% and 9% respectively) and is determined by reference to the prices at which the same or comparable types of steam used for production are supplied by Hongli Thermal Power to any independent third parties on normal commercial terms in its ordinary and usual course of business in Weiqiao Town, Zouping City, Shandong Province, the PRC. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Renewed Weiqiao Steam Supply Agreement.

During the Year, the sales of steam under the Weiqiao Steam Supply Agreement by Hongli Thermal Power to Ming Hong Textile amounted to approximately RMB3,797,000, which was below the annual cap of RMB8,580,000 for the year 2019.

Ming Hong Textile was a wholly-owned subsidiary of Weiqiao Textile, which in turn was held as to 63.67% by Chuangye Group. On the date of entering into the Weiqiao Steam Supply Areement, Chuangye Group was held by the relevant Director of the Company as to 31.59%. Therefore, Ming Hong Textile was a connected person of the Company. The details of the above continuing connected transaction were disclosed in the announcement of the Company dated 20 October 2017.

4. **Sale of aluminum products to Caseman by the Company**

The Company and Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman"), a connected person of the Company, entered into an aluminum products sales framework agreement (the "Aluminum Products Sales Framework Agreement") on 24 July 2018, for a term ending on 31 December 2020, pursuant to which, the Group agreed to sell aluminum products to Caseman for its production use.

The prices of aluminum products supplied by the Group to Caseman are determined with reference to the prices at which comparable types of aluminum products are supplied by the Group to other independent third parties under normal commercial terms in its ordinary and usual course of business in the PRC, which are the average of the weekly average prices of the four aluminum quotations from Henan Province, Shandong Province, East China and the Company listed on the Antaike aluminum regional quotations on the website of Beijing Antaike Information Co., Ltd. (北京安泰科信息股份有限公司) (www.antaike.cn). If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Aluminum Products Sales Framework Agreement.

During the Year, the sales of aluminum products under the Aluminum Products Sales Framework Agreement by the Group to Caseman amounted to approximately RMB2,890,663,000, which was below the annual cap of RMB5,551,092,000 for the year 2019.

CTICM and its related company CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), currently holding 877,184,826 shares of the Company, representing 10.23% of the total issued shares of the Company as at 31 December 2019, were both indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司) and therefore CITIC Group Corporation (中國中信集團有限公司) was a connected person of the Company. On the date of entering into the Aluminum Products Sales Framework Agreement, Caseman was also an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司). Therefore, Caseman was a connected person of the Company. Details of the above continuing connected transaction were disclosed in the announcement of the Company dated 24 July 2018 and the circular of the Company dated 27 August 2018.

5. **Provision of investment and wealth management services to the Company by CITIC Trust**

The Company and CITIC Trust, a connected person of the Company, entered into an investment and wealth management cooperation framework agreement (the “Investment and Wealth Management Cooperation Framework Agreement”) on 3 December 2018 for a term commencing on 3 December 2018 and ending on 31 December 2020, pursuant to which, CITIC Trust (including its subsidiaries) will provide investment products, including but not limited to trust products, monetary funds and asset management plans, and entrusted investment services to the Company (including its subsidiaries) and the two parties may initiate other investment cooperation.

The pricing of the above investment products and entrusted investment services shall be jointly determined by the Company and CITIC Trust through negotiation with reference to the prevailing market terms of similar investment products or entrusted investment services offered by other independent financial institutions in the PRC at the time of entering into the specific agreements under the Investment and Wealth Management Cooperation Framework Agreement. The terms and conditions of the investment products and entrusted investment services offered by CITIC Trust (including its subsidiaries) to the Company (including its subsidiaries) shall be no less favourable than the terms and conditions offered by CITIC Trust (including its subsidiaries) to other independent third parties for providing similar investment products or entrusted investment services.

During the Year, the maximum daily investment balance (including accrued investment returns) of the Company (including its subsidiaries) in CITIC Trust (including its subsidiaries) under the Investment and Wealth Management Cooperation Framework Agreement is RMB1,002,005,000, which was lower than the annual cap of RMB8,000,000,000 for the year 2019.

CTICM and its related company CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), currently holding 877,184,826 shares of the Company, representing 10.23% of the total issued shares of the Company as at 31 December 2019, were both indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司) and therefore CITIC Group Corporation (中國中信集團有限公司) was a connected person of the Company. CITIC Trust was also an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司). Therefore, CITIC Trust was a connected person of the Company. The details of the above continuing connected transactions were disclosed in the announcement of the Company dated 3 December 2018 and the circular of the Company dated 21 December 2018.

6. **Provision of industrial waste services to the Company by Beihai Solid Waste**

On 31 January 2019, the Company and Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") entered into an industrial waste service agreement (the "Industrial Waste Service Agreement") for a term commencing on 31 January 2019 and ending 31 December 2021, pursuant to which Beihai Solid Waste will provide industrial waste collection, transport, storage and disposal services to the Company and its subsidiaries.

The prices of industrial waste collection, transport, storage and disposal services provided by Beihai Solid Waste to the Company are approximately RMB1,931.03 per ton (VAT exclusive) for electrolytic cell residue and approximately RMB3,017.24 per ton (VAT exclusive) for combustible waste for the period from 31 January 2019 to 31 December 2019, which were determined with reference to the market prices of the same or comparable types of services provided by other independent third parties in the PRC. The prices of such services provided by Beihai Solid Waste to the Company for the financial year ending 31 December 2020 and the financial year ending 31 December 2021 shall be re-determined by the two parties within one month prior to the end of the previous year through negotiation with reference to the then market prices of the same or comparable types of services provided by other independent third parties in the PRC. Beihai Solid Waste, has agreed that, in principle, the prices of such services provided by Beihai Solid Waste to the Company shall not be higher than the then market prices of the same or comparable types of services provided by other independent third parties in the PRC. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Industrial Waste Service Agreement.

During the Year, the purchase of industrial waste services under the Industrial Waste Service Agreement by the Company from Beihai Solid Waste amounted to RMB169,814,000, which was below the annual cap of RMB193,103,000 for the year 2019.

Beihai Solid Waste is 51.00% owned by Chuangye Group, and on the date of entering into the Industrial Waste Service Agreement, Chuangye Group was held by the relevant Director of the Company as to 31.59%. Therefore, Beihai Solid Waste is a connected person of the Company under the Listing Rules. The details of the above continuing connected transaction were disclosed in the announcement of the Company dated 31 January 2019.

7. **Supply of water for production use by Chuangye Group to Shandong Hongqiao**

On 31 January 2019, Shandong Hongqiao, a wholly-owned subsidiary of the Company, and Chuangye Group, the Company's connected person, entered into a production water supply agreement (the "Production Water Supply Agreement") for a term commencing on 31 January 2019 and ending 31 December 2021, pursuant to which Chuangye Group will supply water to the production bases of Shandong Hongqiao located in Zouping City and Weiqiao Town for production uses.

The prices of production water supplied by Chuangye Group to Shandong Hongqiao are approximately RMB1.553 per ton (VAT exclusive) for the production water supplied to the production base of Shandong Hongqiao located in Zouping City and approximately RMB1.359 per ton (VAT exclusive) for the production water supplied to the production base of Shandong Hongqiao located in Weiqiao Town for the period from 31 January 2019 to 31 December 2019, which were determined with reference to the market prices of production water supplied by other independent third parties in Zouping City and Weiqiao Town. The prices of production water supplied by Chuangye Group to Shandong Hongqiao for the financial year ending 31 December 2020 and the financial year ending 31 December 2021 shall be re-determined by the two parties within one month prior to the end of the previous year through negotiation with reference to the then market prices of production water supplied by other independent third parties in Zouping City and Weiqiao Town. Chuangye Group, has agreed that, in principle, the prices of production water supplied by Chuangye Group to Shandong Hongqiao shall not be higher than the then market prices of production water supplied by other independent third parties in Zouping City and Weiqiao Town. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Production Water Supply Agreement.

During the Year, the purchase of production water under the Production Water Supply Agreement by Shandong Hongqiao (including its related party(ies)) from Chuangye Group amounted to approximately RMB44,623,000, which was below the annual cap of RMB46,440,000 for the year 2019.

Shandong Hongqiao is an indirectly wholly-owned subsidiary of the Company. On the date of entering into the Production Water Supply Agreement, Chuangye Group was held by the relevant Director of the Company as to 31.59%. Therefore, Chuangye Group is a connected person of the Company under the Listing Rules. The details of the above continuing connected transaction were disclosed in the announcement of the Company dated 31 January 2019.

8. Supply of bauxite by Cita Mineral Investindo to Well Harvest Winning

On 22 May 2019, PT. Well Harvest Winning Alumina Refinery (“Well Harvest Winning”), a non-wholly owned subsidiary of the Company, and PT. Cita Mineral Investindo, Tbk. (“Cita Mineral Investindo”), a connected person of the Company, entered into a bauxite supply agreement (the “Original Bauxite Supply Agreement”) for a term commencing on 22 May 2019 and ending on 31 December 2021, pursuant to which Cita Mineral Investindo agreed to supply bauxite to Well Harvest Winning for production use. The price of bauxite supplied by Cita Mineral Investindo to Well Harvest Winning shall be determined in each specific purchase contract with reference to the prices charged by Cita Mineral Investindo to other independent third parties for supply of the same or comparable types of bauxite on normal commercial terms in its ordinary and usual course of business.

On 3 December 2019, Well Harvest Winning and Cita Mineral Investindo entered into a bauxite supply agreement (the “Bauxite Supply Agreement”) for a term commencing on effective date and ending 31 December 2033, pursuant to which, Cita Mineral Investindo shall sell and deliver to Well Harvest Winning, or procure the sale and delivery to Well Harvest Winning of, and Well Harvest Winning shall buy from Cita Mineral Investindo, bauxite. Before the effectiveness of the Bauxite Supply Agreement, the transactions were conducted under the regime disclosed in the announcement of the Company dated 22 May 2019 pursuant to the Original Bauxite Supply Agreement.

According to the Bauxite Supply Agreement, the benchmark selling price of the bauxite supplied by Cita Mineral Investindo to Well Harvest Winning shall be US$31.50 per DMT x IDR Exchange Rate, which was determined with reference to the prices charged by Cita Mineral Investindo to other independent third parties for supply of the same or comparable types of bauxite on normal commercial terms in its ordinary and usual course of business. The actual selling price of the bauxite shall be adjusted on the basis of the benchmark selling price according to the proportion of $Al_2 O_3$ and SiO and the grain size of bauxite. Such pricing basis above shall be reviewed annually on or before every anniversary of the Bauxite Supply Agreement and subject to mutual agreement by the parties, be amended to reflect any change in the inflation rate(s) published by the index(es) commonly used to determine inflation in commodity prices.

During the Year, the purchase of bauxite under the Original Bauxite Supply Agreement by Well Harvest Winning from Cita Mineral Investindo amounted to US$25,798,000, which was below the annual cap of US$26,766,000 (equivalent to approximately HK$210,100,000) for the year 2019.

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect to Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules, and therefore Cita Mineral Investindo could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules. The details of the above continuing connected transaction were disclosed in the announcements of the Company dated 22 May 2019 and 3 December 2019.

9. Lease of office unit by Harita Jayaraya to Well Harvest Winning

Well Harvest Winning, a wholly-owned subsidiary of the Company, and PT. Harita Jayaraya ("Harita Jayaraya"), a connected person of the Company, entered into an office unit lease agreement (the "Office Unit Lease Agreement") on 29 June 2012 for a term commencing on 1 July 2012 and ending on 31 December 2014, pursuant to which Harita Jayaraya agreed to lease the office unit to Well Harvest Winning for operation use, and it was later amended by the 1st, 2nd and 3rd addendum of Office Unit Lease Agreement. On 1 February 2019, Well Harvest Winning and Harita Jayaraya entered into the 4th addendum of Office Unit Lease Agreement to extend the term of the Office Unit Lease Agreement for a term commencing on 1 January 2019 and ending on 31 December 2020.

The monthly rental for the office unit payable by Well Harvest Winning to Harita Jayaraya under the Office Unit Lease Agreement shall be IDR230,000/m^2 (ie. IDR211,370,000 (equivalent to approximately HK$116,000) in total) (excluding VAT), which was determined based on arm's length negotiations between the two parties with reference to the prevailing market rental for similar properties located at similar locations in South Jakarta, Indonesia.

During the Year, Well Harvest Winning made the lease payments of US$204,000 to Harita Jayaraya under the Office Unit Lease Agreement. The right-of-use assets under the Office Unit Lease Agreement were approximately US$170,000.

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo, which is in turn held as to 90.96% by Harita Jayaraya. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules and therefore Harita Jayaraya could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules. The details of the above connected transaction were disclosed in the announcements of the Company dated 22 May 2019 and 6 June 2019.

10. Lease of crew boat by Mitra Kemakmuran Line to Well Harvest Winning

On 22 May 2019, Well Harvest Winning, a wholly-owned subsidiary of the Company, and PT. Mitra Kemakmuran Line ("Mitra Kemakmuran Line"), a connected person of the Company, entered into a crew boat lease agreement (the "Crew Boat Lease Agreement") for a term commencing on 22 May 2019 and ending 31 December 2021, pursuant to which Mitra Kemakmuran Line agreed to lease the crew boat to Well Harvest Winning for staff transport.

The monthly rental for the crew boat payable by Well Harvest Winning to Mitra Kemakmuran Line under the Crew Boat Lease Agreement shall be IDR30,000,000 (equivalent to approximately HK$16,000) (excluding VAT) for the period from 22 May 2019 to 31 December 2019, IDR40,000,000 (equivalent to approximately HK$22,000) (excluding VAT) for the year ending 31 December 2020 and IDR50,000,000 (equivalent to approximately HK$27,000) (excluding VAT) for the year ending 31 December 2021, which was determined based on arm's length negotiations between the two parties with reference to the prevailing market rental for similar crew boats in Kendawangan, West Kalimantan Province, Indonesia.

During the Year, Well Harvest Winning made the lease payments of US$10,000 to Mitra Kemakmuran Line under the Crew Boat Lease Agreement. The right-of-use assets under the Crew Boat Lease Agreement were approximately US$69,000.

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo, which is in turn held as to 90.96% by Harita Jayaraya. Mitra Kemakmuran Line is a subsidiary of Harita Jayaraya. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules and therefore Mitra Kemakmuran Line could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules. The details of the above connected transaction were disclosed in the announcements of the Company dated 22 May 2019 and 6 June 2019.

11. Lease of vessels by Antar Sarana Rekasa to Well Harvest Winning

Well Harvest Winning, a wholly-owned subsidiary of the Company, and PT. Antar Sarana Rekasa ("Antar Sarana Rekasa"), a connected person of the Company, entered into a vessel lease agreement (the "Vessel Lease Agreement") on 16 January 2017 for a term commencing on 1 January 2017 and ending 31 December 2019, pursuant to which Antar Sarana Rekasa agreed to lease the vessels to Well Harvest Winning for transporting chemicals. On 22 May 2019, Well Harvest Winning and Antar Sarana Rekasa entered into an addendum of Vessel Lease Agreement to extend the term of the Vessel Lease Agreement for a term commencing on 1 January 2020 and ending 31 December 2021.

The monthly rental for each of the two vessels payable by Well Harvest Winning to Antar Sarana Rekasa under the Vessel Lease Agreement shall be IDR750,000,000 (ie. IDR1,500,000,000 (equivalent to approximately HK$820,000) in total) (excluding VAT), which was determined based on arm's length negotiations between the two parties with reference to the prevailing market rental for similar vessels in Kendawangan, West Kalimantan Province, Indonesia.

During the Year, Well Harvest Winning made the lease payments of US$836,000 to Antar Sarana Rekasa under the Vessel Lease Agreement. The right-of-use assets under the Vessel Lease Agreement were approximately US$2,364,000.

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo, which is in turn held as to 90.96% by Harita Jayaraya. Antar Sarana Rekasa is owned as to 34% by Lima Srikandi Jaya which is a subsidiary of Harita Jayaraya. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules and therefore Antar Sarana Rekasa could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules. The details of the above connected transaction were disclosed in the announcements of the Company dated 22 May 2019 and 6 June 2019.

12. Lease of crane barge by Lima Srikandi Jaya to Well Harvest Winning

On 22 May 2019, Well Harvest Winning, a wholly-owned subsidiary of the Company, and PT. Lima Srikandi Jaya ("Lima Srikandi Jaya"), a connected person of the Company, entered into a crane barge lease agreement (the "Crane Barge Lease Agreement"), for a term commencing on 22 May 2019 and ending 31 December 2021, pursuant to which Lima Srikandi Jaya agreed to lease the crane barge to Well Harvest Winning for loading goods.

The daily rental for the crane barge payable by Well Harvest Winning to Lima Srikandi Jaya under the Crane Barge Lease Agreement shall be IDR60,000,000 (equivalent to approximately HK$33,000) (excluding VAT), which was determined based on arm's length negotiations between the two parties with reference to the prevailing market rental for similar crane barges in Kendawangan, West Kalimantan Province, Indonesia.

During the Year, as Lima Srikandi Jaya has not provided crane barge leasing service to Well Harvest Winning under the Crane Barge Lease Agreement, therefore the transaction amount under the Crane Barge Lease Agreement was zero in 2019.

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo, which is in turn held as to 90.96% by Harita Jayaraya. Lima Srikandi Jaya is a subsidiary of Harita Jayaraya. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules and therefore Lima Srikandi Jaya could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules. The details of the above connected transaction were disclosed in the announcements of the Company dated 22 May 2019 and 6 June 2019.

Save as disclosed above, other transactions set out in Note 55 to the consolidated financial statements did not constitute continuing connected transactions or connected transactions of the Company under Chapter 14A of the Listing Rules, or exempt from the reporting, announcement, annual review and independent shareholders' approval requirements. The Directors confirm that the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITOR'S CONFIRMATION

The independent non-executive Directors have reviewed the above continuing connected transactions of the Group and have confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditors of the Company have provided a letter to the Board confirming that, for the year ended 31 December 2019, nothing has come to their attention that causes them to believe that the above continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group (for those transactions involving the provision of goods or services by the Group);

(iii) were not entered into, in all material respects, in accordance with the agreements governing such transactions; or

(iv) have exceeded the respective annual caps.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in note 56 to the consolidated financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards as set out in the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all the Directors, the Company confirmed that each of the Directors has complied with the required standards set out in the Model Code and the code of conduct of the Company regarding directors' securities transactions throughout the year ended 31 December 2019 and up to the date of this annual report.

COMPLIANCE WITH PROVISIONS OF THE CG CODE

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2019, the Company has complied with the code provisions of the CG Code, except for the following deviation:

At the Board meeting on 31 May 2019, the executive director and chief executive officer of the Company, Mr. Zhang Bo, was elected by the Board as the chairman of the Board and was appointed as a member of each of the remuneration committee and nomination committee of the Company. Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and not be performed by the same individual. However, taking into consideration the abundant management experience and industry knowledge of Mr. Zhang Bo and the fact that he is very familiar with the business of the Group, the Board believes that it is beneficial to the continuous and stable development of the Group for Mr. Zhang Bo to serve as both the chairman of the Board and the chief executive officer of the Company. Furthermore, the members of the Board also include qualified professionals and experienced individuals. The Board considers the current composition of the Board can ensure a balance of power and authority with the support of the Board committees and the vice chairman of the Board.

Save as disclosed above, there was no non-compliance of other code provisions of the CG Code by the Company for the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as approved by the Stock Exchange and as permitted under the Listing Rules during the Year and up to the date of this annual report.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/her compliance with the deed of non-competition provided to the Company under the Deed of Non-Competition (as defined in the Company's prospectus dated 14 March 2011). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders.

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") in compliance with the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. The Audit Committee meeting was held on 20 March 2020 to review the annual results and the consolidated financial statements of the Group for the year ended 31 December 2019. The Audit Committee considered that the financial results of the Group for the year ended 31 December 2019 were in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

BUSINESS REVIEW

Business review of the Group during the Year is set out in Management Discussion and Analysis on page 9 of the annual report.

INTERNATIONAL AUDITORS

SHINEWING (HK) CPA Limited ("ShineWing HK") was the Company's international auditor for the year ended 31 December 2019. A resolution for the re-appointment of ShineWing HK as the international auditor of the Company will be proposed at the 2019 Annual General Meeting.

On 27 April 2017, the Company received a resignation letter from Ernst & Young, pursuant to which Ernst & Young resigned as the auditor of the Group with effect from 27 April 2017. On 12 July 2017, according to the relevant requirements of the Articles of Association, the Board decided to appoint ShineWing HK as the new auditor of the Company, to fill the vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the 2016 annual general meeting of the Company. At the 2016 annual general meeting of the Company held on 31 August 2017, ShineWing HK was re-appointed as the auditor of the Company. For further details in relation to the change of auditors, please refer to the announcements of the Company dated 12 July 2017 and 31 August 2017.

On behalf of the Board
Mr. Zhang Bo
Chairman
Shandong, the People's Republic of China

20 March 2020

CORPORATE GOVERNANCE

China Hongqiao is convinced that good corporate governance can create values for the Company and its shareholders as a whole. The Board is committed to strengthening its corporate governance to ensure that the Company conducts its business in an honest, transparent and responsible manner and to promoting the development of the Company and the interest of the shareholders.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules.

For the year ended 31 December 2019, the Company has complied with the code provisions of the CG Code, except for the following deviation:

At the Board meeting on 31 May 2019, the executive director and chief executive officer of the Company, Mr. Zhang Bo, was elected by the Board as the chairman of the Board and was appointed as a member of each of the remuneration committee and nomination committee of the Company. Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and not be performed by the same individual. However, taking into consideration the abundant management experience and industry knowledge of Mr. Zhang Bo and the fact that he is very familiar with the business of the Group, the Board believes that it is beneficial to the continuous and stable development of the Group for Mr. Zhang Bo to serve as both the chairman of the Board and the chief executive officer of the Company. Furthermore, the members of the Board also include qualified professionals and experienced individuals. The Board considers the current composition of the Board can ensure a balance of power and authority with the support of the Board committees and the vice chairman of the Board.

Save as disclosed above, there was no non-compliance of other code provisions of the CG Code by the Company for the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards as set out in the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all the Directors, the Company confirmed that each of the Directors has complied with the required standards set out in the Model Code and the code of conduct of the Company regarding directors' securities transactions throughout the year ended 31 December 2019 and up to the date of this annual report.

THE BOARD

As at 31 December 2019 and as of the date of this annual report, the Board comprised three executive Directors, three non-executive Directors and three independent non-executive Directors. The Board members are as follows:

Executive Directors
Mr. ZHANG Bo *(Chairman, Chief Executive Officer)*
Ms. ZHENG Shuliang *(Vice Chairman)*
Ms. ZHANG Ruilian *(Vice President, Chief Financial Officer)*

Non-executive Directors
Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. CHEN Yisong *(Mr. ZHANG Hao as his alternate)*

Independent Non-executive Directors
Mr. XING Jian
Mr. HAN Benwen
Mr. DONG Xinyi

Ms. Zheng Shuliang is the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

Deities of the Board

The Board is responsible for leading, controlling and overseeing the Group's business strategic decisions and performance. The Board has established subordinate Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the interests of the Company and its shareholders at all times.

The Board is also responsible for the corporate governance duties contained in provision D.3.1 of the CG Code, including but not limited to:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Board has performed the above corporate governance duties for the year ended 31 December 2019. The Board has reviewed the Company's compliance with the CG Code for the year ended 31 December 2019 and this corporate governance report.

Delegation of management function of the Board

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), financial information and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services provided by the company secretary of the Company, with a view to ensure that the Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed by the Board.

Responsibilities of the Management

The chief executive officer of the Company shall be accountable to the Board and responsible for managing the production and business operations of the Company and organising the implementation of resolutions of the Board; organising the implementation of the Company's annual business plans and investment plans; drafting the plan for the internal management setup of the Company; drafting the basic management system of the Company; formulating basic rules of the Company; proposing appointment or dismissal of the vice presidents and chief financial officer of the Company; appointing or dismissing executives other than those to be appointed or dismissed by the Board; and exercising other functions and powers conferred in the Articles of Association and by the Board.

The company secretary of the Company shall be accountable to the Board and responsible for ensuring the compliance of the Board with all applicable laws and regulations. The company secretary of the Company shall also keep minutes of general meetings and meetings of the Board and its committees.

Appointment and re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The nomination committee of the Board (the "Nomination Committee") is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of independent non-executive Directors.

Each of the Directors has entered into a service contract with the Company for a period of three years. Unless terminated by not less than one month's notice in writing served by either the Directors or the Company, the contract will be automatically renewed until terminated in accordance with the terms of the service contract. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association. At the 2018 annual general meeting held by the Company on 22 May 2019, Ms. Zheng Shuliang, Ms. Zhang Ruilian, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Chen Yisong (Mr. Zhang Hao as his alternate), Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi were re-elected as the Directors.

In accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and be eligible for re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Induction training and development

The Company provides induction training programme for all new Directors which, taking into account their experience and background, is designed to enhance their knowledge and understanding of the Group's culture and operations as well as their relevant roles and responsibilities.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. All Directors are encouraged to attend relevant training courses at the Company's expense. From 1 January 2019 to 31 December 2019, all Directors have been required to provide the Company with their training records, and relevant records have been maintained by the company secretary of the Company. All Directors including Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Chen Yisong (Mr. Zhang Hao as his alternate), Mr. Xing Jian, Mr. Han Benwen, Mr. Dong Xinyi and the company secretary of the Company Ms. Zhang Yuexia attended the training courses or continuing study programmes in relation to corporate governance and management to further enhance their knowledge and skills.

Performance evaluation

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure improvement in its functioning. During the year 2019, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

CG Code provision A.1.1 prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication. The Company has adopted the practice of holding Board meetings regularly for at least four times a year at approximately quarterly intervals.

During the year ended 31 December 2019, twelve Board meetings were held by the Directors either in person or through other electronic means of communication and the attendance records of individual Directors at the Board meetings and general meetings are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors:		
Mr. ZHANG Shiping *(Note)*	1/12	1/2
Mr. ZHANG Bo	12/12	2/2
Ms. ZHENG Shuliang	4/12	1/2
Ms. ZHANG Ruilian	11/12	2/2
Non-Executive Directors:		
Mr. YANG Congsen	8/12	2/2
Mr. ZHANG Jinglei	8/12	2/2
Mr. CHEN Yisong	7/12	0/2
Mr. ZHANG Hao *(an alternate director to Mr. CHEN Yisong)*	0/12	0/2
Independent Non-Executive Directors:		
Mr. XING Jian	9/12	2/2
Mr. HAN Benwen	9/12	2/2
Mr. DONG Xinyi	9/12	2/2

Note: On 23 May 2019, Mr. Zhang Shiping passed away and ceased to be the chairman of the Board and an executive Director.

During the year ended 31 December 2019, the chairman of the Board held one meeting with independent non-executive Directors without the presence of other Directors.

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments, financial position of the Company and to enable them to make informed decisions. Each Director also has separate and independent access to the senior management whenever necessary.

The senior management of the Company including chief executive officer and chief financial officer attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting, and the final version is open for Directors' inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Since the listing date on 24 March 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

With reference to the guidelines as set out in Rule 3.13 of the Listing Rules, the Company confirms the independence of all the independent non-executive Directors.

TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years with effect from their respective dates of appointment, unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The relevant appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of the Company is Mr. Zhang Bo. The chairman provides leadership for the Board, and is responsible for ensuring that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. He is also responsible for the strategic management of the Group and for formulating its overall corporate direction and focus. The chief executive officer is responsible for the management of Company business and the Group's overall operation. The chairman and chief executive officer shall have clearly defined roles and duties as detailed in the Company's code of corporate governance.

Though code provision A.2.1 of the CG Code stipulates that the duties of the chairman and chief executive officer should be differentiated and shall not be held by the same person, Mr. Zhang Bo is both chairman and chief executive officer of the Company. The Board is of the opinion that this arrangement will not affect the balance of power and duties between the Board and the management. The Board comprises of highly experienced and talented members who meet regularly to discuss matters affecting the Company's operations. Through the Board's operation, a balance between power and duties can be maintained. The Board believes that this arrangement facilitates stable and consistent leadership and enables the Company to make and implement decisions in an efficient and effective manner. The Board believes that the appointment of Mr. Zhang Bo as chairman and chief executive officer will benefit the business development and management of the Company and improve coordination between the Board and the senior management.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and the senior management of the Group. Details of the remuneration of each of the Directors, chief executive and five highest paid employees for the year ended 31 December 2019 are set out in notes 13 and 14 to the consolidated financial statements.

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of individuals
HK$1,000,000 to HK$1,500,000 (approximately RMB883,000 to RMB1,325,000)	1

SUBORDINATE COMMITTEES OF THE BOARD

- Audit Committee
- Remuneration committee (the "Remuneration Committee")
- Nomination Committee

Each committee may decide upon all matters within its terms of reference and authority.

A. AUDIT COMMITTEE

The Audit Committee was established on 16 January 2011. At present, the Audit Committee is comprised of three independent non-executive Directors.

The composition of the Audit Committee

Mr. HAN Benwen *(Chairman of the Audit Committee)*
Mr. XING Jian
Mr. DONG Xinyi

Roles and functions

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Company's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

The work of the Audit Committee for the year ended 31 December 2019 primarily included reviewing the Group's annual report for the year ended 31 December 2018 and interim report for the six months ended 30 June 2019, and reviewing the effectiveness of the risk management and internal control system and internal audit function of the Company.

Attendance Records of Members at Meetings

During the year ended 31 December 2019, the Audit Committee held two meetings, and the attendance record of members of the Audit Committee at the Audit Committee meetings are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	2/2
Mr. XING Jian	2/2
Mr. DONG Xinyi	2/2

B. REMUNERATION COMMITTEE

The Remuneration Committee was established on 16 January 2011. At present, the Remuneration Committee is comprised of an executive Director and two independent non-executive Directors.

The composition of the Remuneration Committee

Mr. HAN Benwen *(Chairman of the Remuneration Committee)*
Mr. ZHANG Bo
Mr. XING Jian

Roles and functions

The primary duties of the Remuneration Committee include (but without limitation): (i) to make recommendations to the Board on the Company's policy and structure for the Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and (iv) to make recommendations to the Board on the remuneration of non-executive Directors.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure, the annual remuneration packages of the executive Directors and the senior management and other related matters.

The work of the Remuneration Committee for the year ended 31 December 2019 primarily included evaluating the performance of the executive Directors, reviewing the remuneration policy of the Company, and reviewing remuneration of the Directors for the year ended 31 December 2019 and making recommendations to the Board.

Attendance Records of Members at Meetings

During the year ended 31 December 2019, the Remuneration Committee held one meeting to fulfill the duties as required aforesaid and the attendance record of members of the Remuneration Committee at the Remuneration Committee meetings are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	1/1
Mr. ZHANG Bo *(Note)*	0/1
Mr. XING Jian	1/1
Mr. ZHANG Shiping *(Note)*	0/1

Note: On 23 May 2019, Mr. Zhang Shiping passed away and ceased to be a member of the Remuneration Committee. Mr. Zhang Bo has been a member of the Remuneration Committee since 31 May 2019.

C. NOMINATION COMMITTEE

The Nomination Committee was established on 16 January 2011. At present, the Nomination Committee is comprised of an executive Director and two independent non-executive Directors.

The composition of the Nomination Committee

Mr. XING Jian *(Chairman of the Nomination Committee)*
Mr. ZHANG Bo
Mr. HAN Benwen

Roles and functions

The primary duties of the Nomination Committee include: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified to become the Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

The work of the Nomination Committee for the year ended 31 December 2019 primarily included reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, assessing the independence of the independent non-executive Directors, and making recommendations to the Board for its consideration regarding the re-election of retiring Directors at the Company's annual general meeting.

Attendance Records of Members at Meetings

During the year ended 31 December 2019, the Nomination Committee held one meeting, and the attendance record of members of the Nomination Committee at the Nomination Committee meetings are set out below:

Name of Directors	Number of Meeting Attended/Held
Mr. XING Jian *(Chairman of the Nomination Committee)*	1/1
Mr. ZHANG Bo *(Note)*	0/1
Mr. HAN Benwen	1/1
Mr. ZHANG Shiping *(Note)*	0/1

Note: On 23 May 2019, Mr. Zhang Shiping passed away and ceased to be a member of the Nomination Committee. Mr. Zhang Bo has been a member of the Nomination Committee since 31 May 2019.

Nomination Policy and Diversity Policy

The procedures for nomination, appointment, re-election and dismissal of Directors are set out in the Articles of Association. After performing due diligence and taking into consideration of the qualification and biography of the director candidates, the Nomination Committee will make recommendation to the Board for consideration and approval.

The Company has adopted board diversity policy according to provision A.5.6 of the CG Code. The Nomination Committee reviews the structure, size and diversity of the composition of the Board regularly to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the gender, age, cultural and educational background, skills, experience, professional knowledge, personal integrity and time commitments and independence of the independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

As of the date of this annual report, the Board consisted of nine Directors, including two female Directors and professionals in law and accounting, and the Board has achieved diversity in its membership in terms of gender, professional background and skill, etc.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's performance in annual and interim reports and other financial disclosures required by the Listing Rules.

The senior management of the Company has provided sufficient explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial and other information of the Company put before it for approval.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR

The external auditors are responsible for presenting independent opinions on the financial statements of the Company according to the results of their auditing work, and reporting to the Company on the same.

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2019 amounted to RMB4,200,000 (inclusive of value-added tax).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the effectiveness of the risk management and internal control system, and make annual reviews on the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has established its internal audit functions. Relevant procedures have been designed for safeguarding assets against unauthorised use or disposal, controlling excessive capital expenditure, maintaining proper accounting records, and the reliability of financial information used in the operations or for publication. The Audit Committee is responsible for the internal audit. Qualified management personnel of the Company will maintain and monitor the internal control system on a going concern basis.

The Group has in place a relatively comprehensive risk management and internal control system and clearly defines the responsibility and authority of each business unit, department and management member. It implements the reporting and approval procedures and accountability system of each business segment to realise compliance in operations and monitor and control each segment effectively. Each business unit identifies risks that may hinder the realisation of business objectives and coordinates with the management members to analyse and evaluate the materiality of such risks. The finance department is responsible for monitoring and controlling financial risks and making recommendations on potential risks identified during the approval procedures. Other management departments identify and make judgment on various circumstances as well as monitor and assess potential risk factors within the scope of their responsibility and authority. If necessary, they can consult professionals at any time and report issues to the Board according to internal management procedures. Before making any material decisions, the Board has to make proper assessment on the potential risks involved and the level of risks.

The Board and its Audit Committee hear reporting of the management with regard to risk management and internal control on an annual basis; they also work together to review the effectiveness of the relevant systems and identify any monitoring and control errors and material procedural defects. If any material defects in internal control are found, the management and the Board have to make active responses and resolve the problems arose in the most appropriate way and, at the same time, review the existing systems and procedures to seek improvement and take remedial measures.

The Company understands its responsibilities under Part XIVA of the SFO and the Listing Rules, and has set up procedures and internal control measures for processing and disclosing inside information. It will make public disclosure on inside information as soon as reasonably practicable and strictly comply with the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission when handling matters involving inside information, strictly prohibiting unauthorised use of confidential or insider information.

The Directors bear the duty to continue to pay attention to the production and operation conditions and financial position of the Company as well as existing and potential material issues and their impacts; they shall actively investigate and obtain information required for decision making. After finding out and learning about matters required to be disclosed, the relevant personnel shall make timely reports to the management and the responsible Directors, judge and verify the relevant information and materials, make internal assessment on the matters involved and preliminary suggestions and seek professional advice if necessary. After carrying out relevant internal procedures, the Company will confirm the information disclosure arrangement and ensure the truthfulness, accuracy, completeness, timeliness and fairness of the disclosed information and ensure that such information is free of false representation, materially misleading statement or omission.

The Board has reviewed the risk management and internal control system of the Group for the year ended 31 December 2019, which covers financial, operational, compliance procedural and risk management functions, and considers them efficient and adequate. Upon review, the Board was also of the view that there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

AMENDMENTS TO ARTICLES OF ASSOCIATION

There was no material change made to the Articles of Association by the Company for the year ended 31 December 2019.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary of the Company, Ms. Zhang Yuexia. The company secretary of the Company reports to the chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the shareholders and the management. For the year ended 31 December 2019, the company secretary of the Company undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

The Company is liable for securing shareholders' interests. The Company maintains contact with its shareholders through annual general meetings or other general meetings, and encourages shareholders to attend those meetings.

Notice of general meeting is sent by mail to the registered shareholders of the Company. Agenda and proposed resolutions are set out in the notice of general meeting.

A proxy form for use at a general meeting is enclosed with the notice of general meeting. Shareholders who do not intend or are unable to be present at the meeting should fill out the form and return the same to the share registrar and transfer office of the Company, so as to appoint a representative, another shareholder or the chairman of the meeting as their proxy.

According to the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of such failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders or investors can contact the Company in the following ways to make enquiry or to provide suggestions:

Contact Person:	Ms. Wong Yuting
Tel:	(852) 2815 1080
Postal Address:	Suite 5108 The Center 99th Queen's Road Central Central Hong Kong

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great importance to the communication with shareholders, investors and each of the stakeholders. Since the Company was listed in March 2011, the management team has been maintaining close contact with the capital market proactively and is committed to establishing an effective and diverse communication platform. The Company has a website which contains detailed corporate information, including but not limited to annual and interim reports, announcements and circulars, promotional materials, the latest information and business introduction, the latest corporate data and development plans. Meanwhile, in the manner of overseas roadshows, reverse roadshows for investor and media, talks and conference calls with institutional investors and analysts, close communication with investors is made.

In order to provide timely, transparent and fair disclosure to shareholders and investors, the Company has complied with the Listing Rules and published all its price-sensitive information, announcements, interim and annual results in a timely manner. The annual reports, accounts and interim reports contain the details of the Company's activities, and such reports and accounts will be delivered to shareholders and investors. The annual and interim reports of the Company are available on the website of the Stock Exchange and the Company's website.

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

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

OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 72 to 198, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

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

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

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 55 to the consolidated financial statements.

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

KEY AUDIT MATTERS (Continued)

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 26 to the consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

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

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

IMPAIRMENT ASSESSMENT OF GOODWILL

Refer to note 24 to the consolidated financial statements.

The key audit matter

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

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 17 to the consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

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

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

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

IMPAIRMENT ASSESSMENT OF INTEREST IN AN ASSOCIATE

Refer to note 22 to the consolidated financial statements.

The key audit matter

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

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

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

How the matter was addressed in our audit

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

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF LOAN TO AN ASSOCIATE

Refer to note 23 to the consolidated financial statements.

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

* The English translation is for reference only

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

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

Consolidated Statement of Financial Position

As at 31 December 2019

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

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019

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

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

Zhang Bo
Director

Zhang Ruilian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

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

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2019

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

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

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

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

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

1. CORPORATE INFORMATION

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

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are set out in note 60.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Merger accounting for business combination involving entities under common control

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

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

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

* The English translation is for reference only

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

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

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

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

The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3.1 Impacts on adoption of IFRS 16 *Leases*

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

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

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

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

The Group as lessee

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

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

The Group as lessor

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

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

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

Notes:

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

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

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

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

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

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

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

- reliance on assessments on whether leases are onerous by applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

New and amendments to IFRSs issued but not yet effective

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

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

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

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

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

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

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

Amendments to IFRS 3 Definition of a Business

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

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

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

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

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

Amendments to IAS 1 and IAS 8 Definition of Material

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

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

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

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

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

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

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

Goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

Interests in associates

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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

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

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

Non-current assets held for sale

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

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

Revenue recognition

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

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

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

Contract liabilities

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

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Accounting policy applicable on or after 1 January 2019

Definition of a lease

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

The Group as lessee

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

Lease liabilities

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

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

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

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

Right-of-use assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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

The Group as lessee (Continued)

Lease modification

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

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

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

The Group as lessor

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

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

Accounting policy applicable prior to 1 January 2019

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

The Group as lessor

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable prior to 1 January 2019 (Continued)

Leasehold land and building

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

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

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

Retirement benefits costs and termination benefits

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

Short-term and other long-term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

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

Ownership interests in leasehold land and buildings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Investment properties

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

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

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

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fiar value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property plant as equipment.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

Intangible asset acquired in a business combination

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Investments in subsidiaries

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

Financial instruments

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

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

Financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

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

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

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

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income and gains" line item (note 8).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments as at FVTOCI

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

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

Financial assets at FVTPL

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

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

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

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

A financial asset is held for trading if:

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

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

- it is a derivative.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

The Group always recognises lifetime ECL for trade receivables and other receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, including bills receivables, restricted bank deposits and cash and cash equivalents, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

Definition of default

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

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

The Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

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

Write-off policy

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

Measurement and recognition of ECL

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

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

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Financial liabilities subsequently measured at amortised cost

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Derecognition of financial liabilities

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

Convertible bonds

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

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

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

Impairment losses on tangible assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

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

Controls in subsidiaries

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

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

Withholding tax provision on profit appropriation

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

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

Critical judgements in applying accounting policies (Continued)

Related party transactions

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

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

Key sources of estimation uncertainty

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

Impairment of goodwill

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

Deferred tax assets

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

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

Key sources of estimation uncertainty (Continued)

PRC Corporate Income Tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences realised.

Carrying amount of property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB71,019,374,000 (2018: RMB76,361,390,000), net of accumulated impairment of property, plant and equipment of approximately RMB5,587,687,000 (2018: RMB4,828,763,000) and identify if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value-in-use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

Based on the directors' assessment of recoverable amount of each CGU and with reference to fair values of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB1,727,404,000 (2018: nil), write-off of property, plant and equipment of approximately RMB292,479,000 (2018: nil) and reversal of impairment of property, plant and equipment of approximately RMB968,480,000 (2018: nil) was recognised for the year ended 31 December 2019.

Estimated useful life of property, plant and equipment

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment with finite useful life. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment with finite useful life as at 31 December 2019 are RMB71,019,374,000 (2018: RMB76,361,390,000).

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables

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

As at 31 December 2019, the carrying amount of trade receivables was approximately RMB10,311,326,000 (2018: RMB 6,750,578,000), net of allowance for impairment loss of approximately RMB7,001,000 (2018: RMB6,725,000).

Impairment assessment of interest in an associate

The carrying amount of the interest in an associate is tested for impairment as a single asset. Determining whether interest in an associate is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in the associate. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the associate and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of interest in an associate was RMB2,204,748,000 (2018: nil). No impairment loss has been been recognised in profit or loss during the years ended 31 December 2019.

Impairment assessment of a loan to an associate

The impairment assessment of a loan to an associate is based on (i) assumptions used in ECL and (ii) the net realisable value of the underlying collateral received. The management uses judgement in making assumptions and selecting the inputs to the ECL calculation including the associates historical credit loss experience and forward-looking information at the end of the reporting period. Changes in assumption and selection of data inputs by result in significant change in carrying amount of the loan to associate. As at 31 December 2019, the carrying amount of loan to an associate amounted to RMB2,000,000,000 (2018: nil). No impairment loss has been recognised in profit or loss during the years ended 31 December 2019.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2019, the carrying amount of inventories and accumulated allowance for inventories was approximately RMB21,846,922,000, net of allowance of impairment loss of RMB110,580,000 (2018: RMB85,546,000) and the write-off of inventories of approximately RMB33,213,000 (2018: nil) has been recognised in profit or loss during the year ended 31 December 2019.

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

Key sources of estimation uncertainty (Continued)

Fair value of derivatives component of convertible bonds

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

6. REVENUE

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

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

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

	2019 **RMB'000**	2018 RMB'000
Geographical region		
The PRC	**80,224,507**	87,199,649
India	**1,102,616**	785,959
Europe	**369,731**	1,227,826
Malaysia	**1,334,050**	516,139
Others	**1,148,384**	465,351
Total	**84,179,288**	90,194,924
Type of customers		
Government related	**2,341**	2,693
Non-government related	**84,176,947**	90,192,231
Total	**84,179,288**	90,194,924
Sales channels		
Direct sales	**84,179,288**	90,194,924

The revenue for the years ended 31 December 2019 and 2018 are revenue from contracts with customers within the scope of IFRS 15.

7. SEGMENT INFORMATION

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

Geographic information

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

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

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

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

Information about major customers

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

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

8. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Bank interest income	**122,338**	113,424
Other interest income	**176,144**	72,405
Investment income	**2,026**	–
Loan receivables interest income	**–**	506,085
Interest income from an associate	**62,000**	–
Imputed interest on receivables arising from disposal of a subsidiary (note 50)	**57,926**	58,716
Gain from sales of raw materials and scraps materials	**430,739**	247,614
Gain from sales of slag of carbon anode blocks	**701,401**	899,878
Gain on bargain purchase (note 49)	**3,282**	–
Gain on disposal of property, plant and equipment	**21,631**	7,292
Gain on disposal of investment properties	**379,542**	–
Reversal of impairment of property, plant and equipment (note (i))	**968,480**	–
Reversal of impairment of inventories	**69,366**	62,370
Reversal of impairment of trade receivables	**–**	9,047
Reversal of impairment of other receivables	**13,335**	–
Amortisation of deferred income (note 44)	**22,746**	17,920
Value-added tax ("VAT") income (note (ii))	**2,053**	15,303
Rental income for investment properties under operating lease that lease payments are fixed	**6,207**	15,976
Others	**101,301**	109,366
	3,140,517	2,135,396

Notes:

(i) During the year ended 31 December 2019, due to the relocation of production capacities programme, certain of previous impaired property, plant and equipment resumed its production and certain property, plant and equipment previously impaired will be sold within twelve months from the end of the current period, the directors of the Company conducted a review of the related property, plant and equipment and determined that a reversal of provision for impairment loss of approximately RMB968,480,000 (2018: nil) on relevant property, plant and equipment was recognised. The recoverable amounts of the assets are either their fair values less costs of disposals or value-in-use. Details of the directors' review are set out in note 9.

(ii) Pursuant to the VAT reform, entities engaged in the finance lease business are eligible for refund of VAT that is in excess of 3% actual VAT rate. The amount represented such VAT refund income received by a subsidiary of the Company who is engaged in finance lease business.

9. OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note (i))	**1,727,404**	–
Impairment loss recognised in respect of right-of-use assets	**3,449**	–
Impairment loss recognised in respect of goodwill	**–**	656,945
Impairment loss recognised in respect of other receivables	**15,577**	13,447
Impairment loss recognised in respect of trade receivables	**276**	–
Write-down of inventories to net realisable value	**94,400**	36,524
Write-off of property, plant and equipment (note (ii))	**292,479**	–
Write-off of inventories (note (ii))	**33,213**	–
	2,166,798	706,916

Notes:

(i) During the year ended 31 December 2019, due to (i) the relocation of production capacities programme and the coal consumption reduction alternative work programme introduced by the relevant governmental authorities; and (ii) the serious typhoon happened in the PRC, the directors of the Company have suspended certain property, plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of RMB1,727,404,000 (2018: nil) have been recognised in respect of the Group's property, plant and equipment.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using zero growth rate until the end of the expected useful lives of relevant plants and machineries. Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined these key assumptions based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of ranging from 12.7% to 14.0% that reflects specific risks related to the CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments. Market comparable approach is used to measure fair value less costs of disposal. The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuation carried out on 31 December 2019 was performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations.

(ii) During the year ended 31 December 2019, due to the serious typhoon happened in the PRC, certain property, plant and equipment and inventory have been damaged. The directors of the Company conducted a review of the Group's property, plant and equipment and inventory and determined that a number of those assets with carrying amounts of approximately RMB445,584,000 (2018: nil) were written-off. After net-off by insurance claims of approximately RMB153,105,000 (2018: nil), the net loss on written-off of property, plant and equipment of approximately RMB292,479,000 (2018: nil) and loss on write-off of inventories of approximately RMB33,213,000 (2018: nil) have been recognised.

* The English translation is for reference only

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on bank borrowings	**1,872,047**	1,434,011
Interest expenses on other borrowing	**102,833**	43,025
Interest expenses on short-term debentures and notes	**46,900**	215,455
Interest expenses on medium-term debentures and bonds	**2,883,997**	2,357,323
Interest expenses on guaranteed notes	**100,235**	190,565
Interest expenses on convertible bonds	**210,102**	193,010
Interest expenses on lease liabilities	**3,481**	–
	5,219,595	4,433,389

11. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current tax:		
– Hong Kong Profits Tax	**–**	31,623
– PRC Enterprise Income Tax ("EIT")	**2,325,832**	2,154,684
– Indonesia Corporate Tax	**139,426**	278,619
– Withholding tax paid	**9,391**	–
Under provision in prior year		
– Hong Kong Profits Tax	**9,239**	–
	2,483,888	2,464,926
Deferred taxation (note 43)	**(167,964)**	84,514
Total income tax expenses for the year	**2,315,924**	2,549,440

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. No provision for Hong Kong Profits Tax was made for the year ended 31 December 2019 as there were no assessable profits generated during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. During the years ended 31 December 2019 and 2018, two PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" and complied the requirements of tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2018: 15%).

11. INCOME TAX EXPENSES (Continued)

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

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

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

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. The PRC dividend withholding tax rate was changed from 5% to 10% due to the applicability of the Sino-Hong Kong tax treaty during the year ended 31 December 2015. An amount of deferred tax liability of approximately RMB78,605,000 (2018: RMB182,433,000) is recognised in respect of the PRC subsidiaries' undistributed profits.

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

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**8,771,067**	8,335,692
Tax at the domestic income tax rate of 25% (note i)	**2,192,767**	2,083,923
Tax effect of income not taxable for tax purpose	**(90,833)**	(198,191)
Tax effect of expenses not deductible for tax purpose	**118,807**	138,712
Tax effect of tax losses not recognised	**374,303**	717,462
Utilisation of tax losses previously not recognised	**(86,928)**	(95,613)
Under-provision in respect of prior years	**9,239**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**501**	(27,817)
Effect of income tax on concessionary rate	**(12,545)**	(1,251)
Effect of two-tiered profits tax rates regime	**–**	(139)
Tax effect of share of profits of associates	**(127,336)**	(107,386)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**78,605**	182,433
Withholding tax paid	**9,391**	–
Tax effect of tax exemption (note ii)	**–**	(34)
Tax effect of super deduction from research and development expenses	**(150,047)**	(142,659)
Income tax expenses for the year	**2,315,924**	2,549,440

11. INCOME TAX EXPENSES (Continued)

Notes:

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

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

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

12. PROFIT FOR THE YEAR

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

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Executive directors				Non-executive directors			Independent non-executive directors			
	Zhang Shiping ("Mr Zhang") [1] RMB'000	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong (Zhang Hao as his alternate) RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2019											
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings											
Fees	625	500	800	500	600	300	300	200	200	200	4,225
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings											
Other emoluments											
– Salaries and allowances	35	48	136	83	99	-	-	-	-	-	401
– Retirement benefit scheme contributions	-	-	14	13	13	-	-	-	-	-	40
	660	548	950	596	712	300	300	200	200	200	4,666

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

	Executive directors				Non-executive directors			Independent non-executive directors				
	Zhang Shiping ("Mr Zhang")[1] RMB'000	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong (Zhang Hao as his alternate)[2] RMB'000	Xing Jian RMB'000	Chen Yinghai[3] RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2018												
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings												
Fees	1,500	500	800	500	600	300	145	200	92	200	200	5,037
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings												
Other emoluments												
– Salaries and allowances	153	98	141	94	112	–	–	–	–	–	–	598
– Retirement benefit scheme contributions	–	–	14	13	13	–	–	–	–	–	–	40
	1,653	598	955	607	725	300	145	200	92	200	200	5,675

1. Passed away on 23 May 2019
2. Resigned on 2 February 2018 and appointed on 31 August 2018
3. Resigned on 16 May 2018

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

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

Zhang Bo is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2019 and 2018.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	**2,863**	2,716
Retirement benefits scheme contributions	**95**	46
	2,958	2,762

Their emoluments were within the following bands:

	No. of employee	
	2019	2018
Nil to HK$1,000,000 (approximately RMB883,000)	**2**	1
HK$1,000,001 to HK$1,500,000 (approximately RMB883,000 to RMB1,325,000)	**1**	2
HK$1,500,001 to HK$2,000,000 (approximately RMB1,325,000 to RMB1,757,000)	**–**	–
HK$2,000,001 to HK$2,500,000 (approximately RMB1,757,000 to RMB2,208,000)	**–**	–
	3	3

15. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year	**1,807,631**	1,697,064

Subsequent to the end of the reporting period, a final dividend of HK34 cents per share in respect of the year ended 31 December 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the current year, a final dividend of HK24 cents per share in respect of the year ended 31 December 2018 has been approved and paid.

During the year ended 31 December 2018, a final dividend of HK20 cents per share in respect of the year ended 31 December 2017 has been approved and paid. During the year ended 31 December 2018, the Company also paid a special dividend of HK20 cents per share and final dividend of HK27 cents per share in respect of the year ended 31 December 2016.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

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

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,600,287**	8,696,856
Effect of dilutive potential ordinary shares:		
Convertible bonds	**262,059**	256,657
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,862,346**	8,953,513

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2018	36,733,734	71,555,504	73,643	78,762	6,200,451	114,642,094
Additions	324,315	275,141	2,750	6,871	1,946,960	2,556,037
Transfer	595,534	650,262	–	–	(1,245,796)	–
Disposals	(132,644)	(1,122,990)	(413)	(3,840)	–	(1,259,887)
Disposal of a subsidiary (note 50)	(1,440,601)	(1,656,132)	(2,010)	(2,256)	(414,590)	(3,515,589)
Exchange realignment	188,568	62,885	518	450	54,364	306,785
At 31 December 2018 and 1 January 2019	36,268,906	69,764,670	74,488	79,987	6,541,389	112,729,440
Additions	3,051	55,581	12,934	8,965	3,347,531	3,428,062
Additions from new acquired subsidiary	–	377,627	3,167	876	39,930	421,600
Transfer	3,325,155	3,465,091	–	–	(6,790,246)	–
Disposals	(132,643)	(2,265,722)	–	(10,756)	–	(2,409,121)
Write-offs	–	(673,493)	–	–	–	(673,493)
Reclassified as held for sale	–	–	–	–	(897,995)	(897,995)
Exchange realignment	76,659	26,953	205	201	15,866	119,884
At 31 December 2019	39,541,128	70,750,707	90,794	79,273	2,256,475	112,718,377
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	6,581,425	22,997,060	44,010	36,584	939,903	30,598,982
Provided for the year	1,487,717	5,660,464	11,756	8,563	–	7,168,500
Eliminated on disposal	(68,287)	(1,023,992)	(367)	(3,549)	–	(1,096,195)
Eliminated on disposal of a subsidiary (note 50)	(123,529)	(208,758)	(698)	(302)	–	(333,287)
Exchange realignment	19,508	10,011	352	179	–	30,050
At 31 December 2018 and 1 January 2019	7,896,834	27,434,785	55,053	41,475	939,903	36,368,050
Provided for the year	1,527,698	5,668,104	11,033	11,172	–	7,218,007
Impairment loss recognised in profit or loss	743,724	952,775	22	581	30,302	1,727,404
Reversal of impairment loss	(32,384)	(759,086)	(12)	(81)	(176,917)	(968,480)
Eliminated on disposal	(72,067)	(1,986,477)	–	(10,186)	–	(2,068,730)
Eliminated on write-offs	–	(227,909)	–	–	–	(227,909)
Reclassified as held for sale	–	–	–	–	(367,022)	(367,022)
Exchange realignment	11,556	5,863	171	93	–	17,683
At 31 December 2019	10,075,361	31,088,055	66,267	43,054	426,266	41,699,003
CARRYING VALUES						
At 31 December 2019	29,465,767	39,662,652	24,527	36,219	1,830,209	71,019,374
At 31 December 2018	28,372,072	42,329,885	19,435	38,512	5,601,486	76,361,390

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

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

18. LEASES

(i) Right-of-use assets

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

18. LEASES (Continued)

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

As at 31 December 2019, right-of-use assets of RMB5,061,136,000 represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. As at 31 December 2019, the Group is still in a process of obtaining the land certificate with the carrying amount of RMB981,668,000. In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for office premises, factories, crew boats, vessels and crane barges. The lease terms are generally ranged from 2 to 20 years.

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB300,980,000 were pledged to secure bank borrowings of the Group (note 37).

(ii) Lease liabilities

	31.12.2019 RMB'000	1.1.2019 RMB'000
Non-current	61,859	49,749
Current	28,874	4,815
	90,733	54,564

Amounts payable under lease liabilities

	31.12.2019 RMB'000
Within one year	28,874
After one year but within two years	17,338
After two years but within five years	6,937
After five years	37,584
	90,733
Less: Amount due for settlement within 12 months (shown under current liabilities)	(28,874)
Amount due for settlement after 12 months	61,859

During the year ended 31 December 2019, the Group entered into a number of new lease agreements in respect of office premises, factories, crew boats, vessels and crane barges and recognised liability of RMB58,044,000.

18. LEASES (Continued)

(iii) Amounts recongised in profit or loss

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

(iv) Others

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

19. INTANGIBLE ASSETS

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

19. INTANGIBLE ASSETS (Continued)

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

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

20. PREPAID LEASE PAYMENTS

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

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

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

21. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2018, 31 December 2018 and 1 January 2019	156,472
Disposals	(93,152)
Reclassified as right-of-use assets (note 18)	(63,320)
At 31 December 2019	–
ACCUMULATED DEPRECIATION	
At 1 January 2018	5,541
Provided for the year	7,325
At 31 December 2018 and 1 January 2019	12,866
Provided for the year	1,121
Eliminated on disposal	(10,373)
Reclassified as right-of-use assets (note 18)	(3,614)
At 31 December 2019	–
CARRYING VALUES	
At 31 December 2019	–
At 31 December 2018	143,606

The fair value of the Group's investment properties as at 31 December 2018 was approximately RMB153,789,000. The fair value has been arrived at with reference to a valuation carried out by Zhongjing Minxin (Beijing) Assets Appraisal Co., Ltd, independent qualified professional valuers, not connected to the Group. The fair value was determined with reference to recent market prices for similar properties in similar locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The above investment properties are depreciated on a straight-line basis over the terms of the lease range from 6 to 20 years.

The fair value hierarchy as at 31 December 2018 of the investment properties of the Group are at Level 3. There were no transfers between fair value hierarchies during the year ended 31 December 2018.

21. INVESTMENT PROPERTIES (Continued)

During the year ended 31 December 2019, the Group has transferred a land with carrying amount of approximately RMB59,706,000 from investment property to right-of-use assets due to the change in use, which evidenced by commencement of owner occupation.

The following table gives information about how the fair values of the investment properties as at 31 December 2018 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2018 '000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Investment properties	Level 3	RMB153,789	Depreciated replacement cost ("DRC") approach, Key inputs: Market replacement cost, assets residual ratio	Market Replacement cost per square metre/per unit	Approximately RMB1,000 per square metre/ from approximately RMB7,000 to RMB712,000	The higher the market replacement cost, the higher the fair value
				Assets residual ratio	From approximately 65% to 75%	The higher the assets residual ratio, the higher the fair value

22. INTERESTS IN ASSOCIATES

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

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

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

As at 31 December 2019 and 2018, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2019	2018	**2019**	2018	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Zhongheng Xieli Investment Co., Ltd.* ("中衡協力投資有公司")	Established	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Inactive
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Shandong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material") * ("山東創新炭材料有限公司")	Incorporated	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Trading of carbon
Winning Consortium Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**29%**	29%	**29%**	29%	Railway design and construction

22. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2019 and 2018, the Group had interests in the following material associates: (Continued)

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2019	2018	**2019**	2018	
Shandong Weiqiao Lvhui Renewable Resources Technology Co., Ltd* ("山東魏橋綠匯再生資源科技有限公司")	Incorporated	PRC	PRC	Ordinary	**20%**	–	**20%**	–	Magnesium sulfite utilisation
Shandong Weiqiao Kuaike Environmental Protection Technology Co., Ltd* ("山東魏橋快刻環保科技有限公司")	Incorporated	PRC	PRC	Ordinary	**40%**	–	**40%**	–	Green facilities innovation
Zouping Binneng Energy Technology Co., Ltd ("Binneng Energy") ("鄒平濱能能源科技有限公司")	Incorporated	PRC	PRC	Ordinary	**45%**	–	**45%**	–	Electricity business
Beijing Honghua Zhida Technology Development Co., Ltd * ("北京宏華智達科技發展有限公司")	Incorporated	PRC	PRC	Ordinary	**45%**	–	**45%**	–	Technology promotion and development
Shandong Zhilv High Performance Alloy Material Co., Ltd.* ("山東智鋁高性能合金材料有限公司")	Incorporated	PRC	PRC	Ordinary	**35%**	–	**35%**	–	Trading of light alloy materials

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

ABM

	2019 RMB'000	2018 RMB'000
Current assets	**8,628,495**	6,254,062
Current liabilities	**(2,205,178)**	(1,651,986)
Non-current liabilities	**(767,382)**	(754,952)
Revenue	**7,973,956**	8,599,058
Profit for the year	**1,738,509**	1,195,340
Other comprehensive income for the year	**70,302**	295,393
Total comprehensive income for the year	**1,808,811**	1,490,733
Elimination of realised profits	**–**	93,825

22. INTERESTS IN ASSOCIATES (Continued)

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

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

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

Binneng Energy

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

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

	2019 **RMB'000**	2018 RMB'000
Net assets of the associate	**4,899,439**	–
Proportion of the Group's ownership interest in Binneng Energy	**45%**	N/A
Carrying amount of the Group's interest in Binneng Energy	**2,204,748**	–

22. INTERESTS IN ASSOCIATES (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

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

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

The Group has stopped recognising its share of losses of certain associates when applying the equity method. The unrecognised share of those associates, both for the year and cumulatively, are set out below:

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

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

23. LOAN TO AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Loan to an associate	**2,000,000**	–

The balance of loan to an associate is secured by plant and equipment of the associate, bearing interest at 6% per annum and repayable on 20 June 2021.

24. GOODWILL

	2019 RMB'000	2018 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
ACCUMULATED IMPAIRMENT LOSSES		
At beginning of the financial year	**1,325,639**	668,694
Impairment loss recognised during the year	**–**	656,945
At the end of the financial year	**1,325,639**	1,325,639
CARRYING AMOUNT		
At 31 December	**608,818**	608,818

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

During the year ended 31 December 2019, no impairment loss is recognised (2018: RMB656,945,000) in relation to goodwill arising on acquisition of Hongchuang. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang for the year ended 31 December 2018.

Impairment test on goodwill

For the purposes of impairment testing, goodwill has been allocated to the following CGU.

	2019 RMB'000	2018 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Unit A)	**231,351**	231,351
Manufacture and selling of aluminum products in Binzhou, the PRC (Unit B)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**297,049**	297,049
	608,818	608,818

24. GOODWILL (Continued)

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

Unit A

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and pre-tax discount rate of 21.33% (2018: 21.65%). Unit A's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

Unit B

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and a pre-tax discount rate of 21.33% (2018: 21.65%). Unit B's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

Hongchuang

The recoverable amount of this CGU approximates to RMB730,347,000 (2018: RMB678,334,000) has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang, and a blockage discount factor of 5.57% (2018: 5.08%) and relevant transaction costs.

The key assumption for the fair value less costs of disposal is the blockage factor applied to the quoted share price of Hongchuang, where management considered that the normal daily trading volume for the shares is not sufficient to absorb the quantity of shares held by the Group and therefore placing orders to sell the Group's interest in Hongchuang in a single transaction might affect the quoted price. In determining the blockage factor, management mainly takes into accounts the relevant rules and regulations in shares transactions and historical transaction records in the Shenzhen Stock Exchange.

The fair value hierarchy as at 31 December 2019 and 2018 of Hongchuang are at Level 2. There were no transfers between fair value hierarchies during the year.

25. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI comprise:

	2019 RMB'000	2018 RMB'000
Equity instruments as at FVTOCI		
– Listed	**289,339**	908,170

The fair value of these investments is disclosed in note 48.

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

26. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**14,292,339**	12,252,197
Work in progress	**6,995,936**	6,814,947
Finished goods	**558,647**	738,417
	21,846,922	19,805,561

During the year, the allowance for inventories of approximately RMB94,400,000 (2018: RMB36,524,000) has been recognised and included in other expenses.

During the year, inventories previously impaired were sold at profit. As a result, a reversal of provision of approximately RMB69,366,000 (2018: RMB62,370,000) has been recognised and included in other income and gains in the current year.

27. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**10,318,327**	6,757,303
Less: allowance for impairment losses	**(7,001)**	(6,725)
	10,311,326	6,750,578

At as 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to RMB10,318,327,000 (2018: RMB6,757,303,000).

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

The Group has a policy of allowing average credit period of 90 days to its trade customers.

	2019 RMB'000	2018 RMB'000
Within 3 months	**8,561,127**	6,304,751
3-12 months	**1,748,274**	438,473
12-24 months	**1,925**	7,076
24-36 months	**–**	278
	10,311,326	6,750,578

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

27. TRADE RECEIVABLES (Continued)

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant. As at 31 December 2019, lifetime ECL of approximately RMB7,001,000 (2018: RMB6,725,000) has been made in respect of trade receivables with gross amount of RMB7,001,000 (2018: RMB6,725,000) as they are determined to be credit impaired. For the remaining balance of approximately RMB10,311,326,000 (2018: RMB6,750,578,000), the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables. However, no loss allowance was made on these receivables as the identified impairment loss is immaterial.

The provision matrix of trade receivables is set out below:

For the year ended 31 December 2019

		Trade receivables days past due					
	Current	**1-3 months past due**	**3-12 months past due**	**12-24 months past due**	**24-36 months past due**	**More than 36 months past due**	**Total**
ECL rate	**0%**	**0.00050%**	**0.00044%**	**0.20902%**	**100%**	**100%**	**–**
Gross carrying amount (RMB'000)	**9,791,682**	**506,380**	**13,264**	**–**	**–**	**7,001**	**10,318,327**
Lifetime ECL (RMB'000)	**–**	**–**	**–**	**–**	**–**	**7,001**	**7,001**

For the year ended 31 December 2018

		Trade receivables days past due					
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0%	0.00042%	0.23902%	100%	100%	–
Gross carrying amount (RMB'000)	6,692,894	37,528	20,156	–	–	6,725	6,757,303
Lifetime ECL (RMB'000)	–	–	–	–	–	6,725	6,725

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

	2019 RMB'000	2018 RMB'000
At 1 January	**6,725**	15,772
Reversal of impairment loss	**–**	(9,047)
Impairment loss recognised	**276**	–
At 31 December	**7,001**	6,725

28. BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Bills receivables	**11,139,775**	11,726,626

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**6,343,124**	6,319,777
3 to 6 months	**4,416,395**	5,046,349
Over 6 months	**380,256**	360,500
	11,139,775	11,726,626

TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has retained the significant risks and rewards which include default risks, relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables and other payables in the consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	2019 RMB'000	2018 RMB'000
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**11,129,710**	11,681,840
Carrying amount of trade payables	**(10,898,559)**	(11,050,300)
Carrying amount of other payables	**(231,151)**	(631,540)
Net position as at 31 December	**–**	–

Note: The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group was still exposed to credit risk on these receivables at the end of the reporting period, the cash received from the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no additional loss allowance was provided on the Group's bills receivables for the years ended 31 December 2019 and 2018.

29. PREPAYMENTS AND OTHER RECEIVABLES

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

	2019 RMB'000	2018 RMB'000
Prepayments to suppliers	967,864	1,386,528
Prepayments to an associate (note (ii))	2,438,457	–
Value-added tax recoverable	954,990	1,205,447
CIT refundable	63,050	80,404
Receivables arising from dealing with futures	123,094	102,411
Receivables arising from disposal of a subsidiary (note 50)	–	1,417,074
Receivables arising from dealing with investment	1,000,000	–
Insurance recoverable	150,567	–
Factoring receivables (note (i))	219,944	323,627
Interest receivables	3,965	539
Dividend receivables	8,355	–
Others	185,726	269,891
	6,116,012	4,785,921
Less: allowance for impairment losses	(40,700)	(38,458)
	6,075,312	4,747,463

Notes:

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

(ii) On 21 June 2019, the Group entered into an electricity procurement agreement with an associate of the Group, pursuant to which the Group agreed to provide a prepayment to the associate for the supply of electricity.

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

For the year ended 31 December 2019

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	N/A	26,844	(26,844)	–
Other receivables – Doubtful	6.30%	223,909	(13,856)	210,053
Other receivables – Performing	*	1,440,898	–	1,440,898
		1,691,651	(40,700)	1,650,951

29. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

For the year ended 31 December 2018

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	N/A	23,722	(23,722)	–
Other receivables – Doubtful	4.55%	324,166	(14,736)	309,430
Other receivables – Performing	*	1,765,654	–	1,765,654
		2,113,542	(38,458)	2,075,084

* For the remaining balance of other receivables, it has low risk of default or has not been significantly increased in credit risk since initial recognition. The directors of the Company consider the ECL is immaterial.

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

	2019 RMB'000	2018 RMB'000
At 1 January	**38,458**	25,011
Reversal of impairment loss	**(13,335)**	–
Impairment loss recongised	**15,577**	13,447
At 31 December	**40,700**	38,458

30. FINANCIAL ASSETS AT FVTPL

	2019 RMB'000	2018 RMB'000
Financial assets at FVTPL		
Collective investment trust	**2,005**	–

31. OTHER FINANCIAL ASSET/LIABILITIES

	2019 RMB'000	2018 RMB'000
Other financial asset		
Capped forward contract	**819**	–
Other financial liabilities		
Interest rate swaps contracts	**3,300**	–

Year ended 31 December 2019

Major terms of the capped forward contract are as follows:

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

Major terms of the interest rate swaps are as follows:

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

32. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**41,857,116**	45,380,413
Restricted bank deposits	**1,423,967**	1,256,474
	43,281,083	46,636,887
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,002,928)**	(1,000,000)
– pledged for issuance of letter of credit	**(117,472)**	(231,474)
– pledged for guarantee issued	**(299,060)**	(25,000)
– other restricted bank balances	**(4,507)**	–
Cash and cash equivalents	**41,857,116**	45,380,413

Cash and cash equivalents are principally RMB-denominated deposits placed with banks in the PRC. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through banks authorised to conduct foreign exchange business.

32. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Bank balances and time deposits carry interest at market rates which range from 0.05% to 1.50% (2018: 0.05% to 1.50%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate from 0.05% to 1.55% (2018: 0.05% to 1.55%) per annum.

33. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

	2019 RMB’000
Property, plant and equipment	**530,973**
Assets classified as held for sale	**530,973**

* The English name is for reference only

34. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2019 **RMB'000**	2018 RMB'000
Changes in fair values of arising from:		
– capped forward contract	**819**	–
– interest rate swaps contracts	**(3,300)**	–
– derivatives component of convertible bonds (note 42)	**140,558**	397,683
	138,077	397,683

35. TRADE AND BILLS PAYABLES

	2019 **RMB'000**	2018 RMB'000
Trade payables to third parties	**15,820,689**	14,396,366
Trade payables to an associate	**203,267**	264,647
Trade payables to related parties	**52,858**	424
	16,076,814	14,661,437
Bills payable	**2,138,842**	2,000,000
	18,215,656	16,661,437

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	2019 **RMB'000**	2018 RMB'000
Within 6 months	**15,609,824**	14,333,933
6-12 months	**422,080**	279,933
1-2 years	**10,658**	7,330
More than 2 years	**34,252**	40,241
	16,076,814	14,661,437

The average credit period on purchases of goods is six months. The trade payables are non-interest-bearing and are normally settled on a term of to six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Bills payable were bills of acceptance with maturity of less than one year.

36. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Payables on property, plant and equipment	**4,773,991**	4,271,983
Retention payables	**2,055,531**	2,421,027
Accrued payroll and welfare (note (i))	**611,247**	620,660
Contract liabilities (note (ii))	**2,381,094**	720,185
Dividend payables	**6**	5
Interest payable	**1,662,187**	1,778,752
Other taxes payables	**1,152,044**	1,507,955
Consideration payable (note 49)	**55,500**	–
Construction claim payable (note 57)	**60,000**	–
Others	**628,243**	520,113
	13,379,843	11,840,680

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2019 were accrued directors payroll and welfare of approximately RMB4,225,000 (2018: RMB5,020,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) The significant increase in contract liabilities in 2019 were mainly due to continuous increase in the customer base.

Revenue recongised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year is approximately RMB720,185,000 (2018: RMB710,110,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

37. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Current		
Secured bank borrowings (note (iii))	**8,342,748**	873,104
Unsecured bank borrowings	**20,712,101**	18,060,631
	29,054,849	18,933,735
Non-current		
Secured bank borrowings (note (iii))	**405,990**	8,146,613
Unsecured bank borrowings (note (i))	**3,113,638**	3,117,190
	3,519,628	11,263,803
	32,574,477	30,197,538

37. BANK BORROWINGS (Continued)

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

	2019 **RMB'000**	2018 RMB'000
Within one year	**29,054,849**	18,933,735
In the second year	**2,221,874**	8,482,516
In the third to fifth years, inclusive	**1,297,754**	2,781,287
	32,574,477	30,197,538

	2019 **RMB'000**	2018 RMB'000
Amounts shown under current liabilities	**29,054,849**	18,933,735
Amounts shown under non-current liabilities	**3,519,628**	11,263,803
	32,574,477	30,197,538

The exposure of the Group's fixed-rate bank borrowings denominated in RMB at interest rate ranged from 3.40% to 7.00% (2018: ranged from 2.70% to 7.50%) and the contractual maturity dates (or reset dates) are as follows:

	2019 **RMB'000**	2018 RMB'000
Fixed-rate borrowings:		
Within one year	**11,874,602**	4,723,090

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

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**3.40% to 7.00%**	2.70% to 7.50%
Variable-rate borrowings	**4.57% to 6.09%**	4.35% to 6.09%

37. BANK BORROWINGS (Continued)

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2019 **RMB'000**	2018 RMB'000
US$	**5,219,214**	8,348,844

Notes:

(i) Bank borrowings of approximately RMB299,000,000 (2018: RMB299,000,000) are guaranteed by a related party was set out in note 55.

(ii) As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2019 **RMB'000**	2018 RMB'000
Floating rate		
– expiring within one year	**1,933,231**	1,361,216

(iii) Secured borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 17 and 18 respectively.

38. OTHER BORROWING

	2019 **RMB'000**	2018 RMB'000
Other borrowing, unsecured		
Amount shown under current liabilities	**1,391,446**	–
Amount shown under non-current liabilities	**–**	1,366,569

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

	2019 **RMB'000**	2018 RMB'000
Within one year	**1,391,446**	–
After one year but within two years	**–**	1,366,569
	1,391,446	1,366,569

The interest rate of the other borrowing of US$200,000,000 (2018: US$200,000,000) is fixed at 7.50% per annum.

39. SHORT-TERM DEBENTURES AND NOTES

	2019 RMB'000	2018 RMB'000
Short-term debentures and notes	–	4,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2018 and 2019 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures	5 February 2018	1,000,000	6.00%	7 February 2019
Short-term debentures	14 March 2018	1,000,000	6.25%	16 March 2019
Short-term debentures	22 March 2018	1,000,000	6.20%	26 March 2019
Short-term debentures	2 April 2018	1,000,000	6.50%	4 April 2019

The short-term debentures and notes were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investors ("NAFMII"). Interest is payable annually.

40. MEDIUM-TERM DEBENTURES AND BONDS

	2019 RMB'000	2018 RMB'000
Medium-term debentures and bonds-due within one year	**1,495,784**	1,752,756
Medium-term debentures and bonds-due after one year	**38,529,229**	41,077,258
	40,025,013	42,830,014

40. MEDIUM-TERM DEBENTURES AND BONDS

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2018 and 2019 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest Rate	Effective interest Rate	Date of maturity
Unlisted					
Medium-term debentures A	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures B	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures C	25 October 2016	1,000,000	3.87%	4.21%	26 October 2021
Medium-term debentures D	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.25%	19 January 2022
Medium-term debentures H	2 March 2018	1,000,000	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	1,000,000	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	1,300,000	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	1,000,000	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	1,000,000	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	1,000,000	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	1,000,000	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	500,000	7.47%	7.75%	27 August 2021
Medium-term debentures P	12 July 2019	600,000	7.00%	7.24%	12 July 2022
Listed					
Enterprise bonds A	3 March 2014	1,149,960 (2018: 1,200,000)	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,056,362	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	214 (2018: 1,000,000)	6.26% (2018: 5.26%)	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	1,999,950 (2018: 2,000,000)	7.30% (2018: 4.10%)	4.33%	14 January 2021
Enterprise bonds E	14 January 2016	1,000,000	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	1,800,000	7.00% (2018: 4.50%)	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,198,240 (2018: 1,200,000)	6.70% (2018: 4.04%)	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	6.50% (2018: 4.27%)	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	500,000	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	2,000,000	6.30% (2018: 4.20%)	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	6.00%	6.22%	26 March 2024
Private placement enterprise bond A	2 June 2016	Nil (2018: 1,758,000)	6.05%	6.50%	2 June 2019
Private placement enterprise bond B	15 July 2016	26,000 (2018: 3,000,000)	6.80% (2018: 6.48%)	6.75%	15 July 2021

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures A, B, C, D, E, F, G, H, I, J, K, L, M, N, O and P were issued to various independent third parties according to the approvals issued by NAFMII and enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange while enterprise bond D, E, F, G, H, I, J, K, L, private placement enterprise bond A and B were issued under the approval of China Securities Regulatory Commission.

According to the terms and conditions of private placement enterprise bonds A, the interest rate is 6.05% per annum for 2 years, up to 1 June 2018. At the end of the second year, on 2 June 2018, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2019, the Group has redeemed the private placement enterprises bonds A for RMB1,758,000,000 together with interest accrued up the that date.

According to the terms and conditions of private placement enterprise bonds B, the interest rate is 6.48% per annum for 3 years, up to 15 July 2019. At the end of the third year, on 14 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2019, the Group has redeemed the private placement enterprises bonds B for RMB2,974,000,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the 5 years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2019, the Group has redeemed the enterprises bonds A for RMB50,040,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the 3 years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017 and 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100%of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 5.26% per annum for the 4 years, up to 26 October 2019. At the end of the fourth year, on 26 October 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2019, the Group has redeemed the enterprises bonds C for RMB999,786,000 together with interest accrued up the that date.

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 7.30% (2018: 4.10%) per annum for the 3 years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds E is 4.88% per annum for the 5 years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate. During the year ended 31 December 2019, the Group has redeemed the enterprises bonds D for RMB50,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 7.00% (2018: 4.50%) per annum for the 3 years, up to 27 January 2019. At the end of the third year, on 27 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 6.70% (2018: 4.04%) per annum for the 3 years, up to 24 February 2019. At the end of the third year, on 24 February 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. During the year ended 31 December 2019, the Group has redeemed the enterprises bonds G for RMB1,760,000 together with interest accrued up the that date.

Enterprise bonds H and I are different categories of the same tranche, the interest rate of the enterprise bonds H is 6.50% (2018: 4.27%) per annum for the 3 years, up to 10 March 2019. At the end of the third year, on 10 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds I is 4.83% per annum for the 5 years, up to 10 March 2021, with no right to redeem the bonds or adjust the interest rate.

According to the terms and conditions of enterprise bonds J, the interest rate of the enterprise bonds is 6.30% (2018: 4.20%) per annum for the 3 years, up to 22 March 2019. At the end of the third year, on 22 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds K, the interest rate of the enterprise bonds is 4.00% per annum for the 5 years, up to 17 October 2021. At the end of the fifth year, on 17 October 2021, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds L the interest rate of the enterprise bonds is 6.00% per annum for the 3 years, up to 26 March 2022. At the end of the third year, on 26 March 2022, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

Interest is payable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

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

	2019 **RMB'000**	2018 RMB'000
Within one year	**1,495,784**	1,752,756
In the second to fifth year	**38,529,229**	33,330,745
Over five years	**–**	7,746,513
	40,025,013	42,830,014

41. GUARANTEED NOTES

	2019 **RMB'000**	2018 RMB'000
Current liabilities	**–**	3,078,664
Non-current liabilities	**3,457,313**	–

On 17 April 2018, the Company issued 6.85% guaranteed notes with the aggregate principal amount of US$450,000,000 (equivalent to approximately RMB2,865,150,000) (the "2019 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2019 Guaranteed Notes matured on 22 April 2019. The 2019 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2019 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2019 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	**Redemption price**
Prior to 22 April 2019	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 April 2019	106.85% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2019 Guaranteed Notes on 22 April 2019, plus all required remaining scheduled interest payments due on the 2019 Guaranteed Notes through 22 April 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 22 April 2019, the Company may at its option redeem the 2019 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

41. GUARANTEED NOTES (Continued)

Notes: (Continued)

(iii) At any time prior to 22 April 2019, the Company may redeem up to 35% of the 2019 Guaranteed Notes, at a redemption price of 106.85% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2019 Guaranteed Notes on date of issuance is net of issue expenses of US$4,837,000 (equivalent to approximately RMB30,793,000) and the effective interest rate of the 2019 Guaranteed Notes is 9.06% per annum.

On 22 April 2019, the Company has redeemed the 2019 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

On 15 July 2019, the Company issued 7.125% guaranteed notes with the aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,060,310,000) (the "2022 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will mature on 22 July 2022. The 2022 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2022 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2022 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 22 July 2022	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 July 2022	107.125% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2022 Guaranteed Notes on 22 July 2022, plus all required remaining scheduled interest payments due on the 2022 Guaranteed Notes through 22 July 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 22 July 2022, the Company may at its option redeem the 2022 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 22 July 2022, the Company may redeem up to 35% of the 2022 Guaranteed Notes, at a redemption price of 107.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

41. GUARANTEED NOTES (Continued)

The carrying amount of the 2022 Guaranteed Notes on date of issuance is net of issue expenses of US$4,000,000 (equivalent to approximately RMB27,471,000) and the effective interest rate of the 2022 Guaranteed Notes is 7.63% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition and at the end of the reporting period.

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

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2023 Guaranteed Notes on 2 May 2023, plus all required remaining scheduled interest payments due on the 2023 Guaranteed Notes through 2 May 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 2 May 2023, the Company may at its option redeem the 2023 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 2 May 2023, the Company may redeem up to 35% of the 2023 Guaranteed Notes, at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2023 Guaranteed Notes on date of issuance is net of issue expenses of US$2,700,000 (equivalent to approximately RMB19,097,000) and the effective interest rate of the 2023 Guaranteed Notes is 7.81% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition and at the end of the reporting period.

42. CONVERTIBLE BONDS

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

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

	Liability component of CBs	**Derivatives component of CBs**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2018	1,095,225	991,660	2,086,885
Changes in fair values	–	(397,683)	(397,683)
Effective interest expenses	193,010	–	193,010
Interest paid	(94,039)	–	(94,039)
Conversion into shares of the Company (note 45(b))	(248,367)	(224,881)	(473,248)
Exchange translation	66,223	46,099	112,322
At 31 December 2018 and 1 January 2019	**1,012,052**	**415,195**	**1,427,247**
Changes in fair values	**–**	**(140,558)**	**(140,558)**
Effective interest expenses	**210,102**	**–**	**210,102**
Interest paid	**(86,755)**	**–**	**(86,755)**
Exchange translation	**15,156**	**5,300**	**20,456**
As at 31 December 2019	**1,150,555**	**279,937**	**1,430,492**

42. CONVERTIBLE BONDS (Continued)

On 25 January 2018, 70,544,156 ordinary shares of the Company were issued as a result of the conversion of CBs with principal amount of US$73,600,000. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the year ended 31 December 2019.

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

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

As at 31 December 2019, the principal amount of the CBs that remained outstanding amounted to US$246,400,000 (2018: US$246,400,000) of which a maximum of 267,287,611 (2018: 255,928,775) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018 and 13 July 2018 and 17 June 2019.

At 31 December 2018 and 2019, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	At 31 December 2019	At 31 December 2018
Share price	**HK$4.70**	HK$4.45
Conversion price	**HK$7.21**	HK$7.53
Expected volatility	**41.71%**	55.54%
Expected life	**2.91 years**	3.91 years
Risk free rate	**1.59%**	2.45%
Expected dividend yield	**4.98%**	4.40%

43. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets	**2,084,454**	1,865,927
Deferred tax liabilities	**(721,545)**	(670,982)
	1,362,909	1,194,945

The deferred tax assets (liabilities) recognised by the Group and the movements thereon during the year are as follows:

	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Income tax facility RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provisions RMB'000	Consideration receivables from disposal of a subsidiary RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2018	1,151,816	149,467	82,280	(142,261)	295,493	69,700	35,229	–	(363,136)	871	1,279,459
(Charged) credited to profit or loss	(114,778)	36,573	14,053	(182,433)	68,988	67,420	(8,725)	14,481	16,848	3,059	(84,514)
At 31 December 2018 and 1 January 2019	**1,037,038**	**186,040**	**96,333**	**(324,694)**	**364,481**	**137,120**	**26,504**	**14,481**	**(346,288)**	**3,930**	**1,194,945**
Credited (charged) to profit or loss	**155,588**	**(141,991)**	**(29,677)**	**(78,605)**	**240,694**	**(464)**	**6,888**	**(14,481)**	**28,042**	**1,970**	**167,964**
At 31 December 2019	**1,192,626**	**44,049**	**66,656**	**(403,299)**	**605,175**	**136,656**	**33,392**	**-**	**(318,246)**	**5,900**	**1,362,909**

At the end of the reporting period, the Group has unused tax losses of approximately RMB5,116,771,000 (2018: RMB4,533,230,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB176,196,000 (2018: RMB744,160,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB4,940,575,000 (2018: RMB3,789,070,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB4,934,210,000 (2018: RMB3,788,602,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB6,365,000 (2018: RMB468,000) may be carried forward indefinitely.

Certain tax losses of approximately RMB115,132,000 (2019: nil) attributable to the Company and certain subsidiaries were disallowed by the Inland Revenue Department for the year ended 31 December 2018.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB40,484,956,000 (2018: RMB36,294,907,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

44. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Government grants		
– Current liabilities	**22,330**	19,450
– Non-current liabilities	**549,086**	553,820
	571,416	573,270

As at 31 December 2019, the Group received government subsidies of approximately RMB20,892,000 (2018: RMB287,598,000) towards certain environment protection and construction projects. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of plant and machineries. This policy has resulted in a credit to income in the current period of approximately RMB22,746,000 (2018: RMB17,920,000). As at 31 December 2019, balances of approximately RMB571,416,000 (2018: RMB573,270,000) remain to be amortised.

45. SHARE CAPITAL

	Number of shares		Share Capital	
	2019	2018	**2019 US$**	2018 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	2019	2018	**2019 US$**	2018 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,570,852,349**	8,675,394,849	**85,708,523**	86,753,948

	Number of shares	**Share Capital RMB'000**
Issued and fully paid:		
At 1 January 2018	8,057,888,193	526,966
Issue of shares upon share subscription (note (a))	650,000,000	41,710
Issue of shares upon conversion of CBs (note (b))	70,544,156	4,495
Shares repurchased and cancelled	(103,037,500)	(6,999)
At 31 December 2018 and 1 January 2019	**8,675,394,849**	**566,172**
Shares repurchased and cancelled	**(104,542,500)**	**(7,082)**
At 31 December 2019	**8,570,852,349**	**559,090**

45. SHARE CAPITAL (Continued)

Notes:

(a) On 23 January 2018, 650,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.6 per share, raising a total proceeds of approximately RMB5,060,159,000, net of share issue expense of approximately RMB60,822,000.

(b) During the year ended 31 December 2018, CBs with principal amount US$73,600,000 was converted into 70,544,156 ordinary shares of the Company at par at the conversion price of HK$8.16 per ordinary share.

The Company does not have any share option scheme.

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

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

For the year ended 31 December 2019

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

45. SHARE CAPITAL (Continued)

During the year, the Company repurchased its own shares through the Stock Exchange as follows: (Continued)

For the year ended 31 December 2018

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$	Share cancelled date
25-Jun-18	1,660,000	6.90	6.66	11,311,000	11-Jul-18
26-Jun-18	2,690,500	7.11	6.60	18,605,000	11-Jul-18
27-Jun-18	2,054,000	7.15	6.83	14,276,000	11-Jul-18
28-Jun-18	3,968,000	7.30	6.87	27,948,000	11-Jul-18
29-Jun-18	2,988,000	7.40	7.10	21,987,000	11-Jul-18
3-Jul-18	2,330,000	7.50	6.99	17,084,000	16-Jul-18
4-Jul-18	3,705,000	7.45	7.23	27,298,000	16-Jul-18
5-Jul-18	3,570,000	7.40	7.12	26,125,000	16-Jul-18
6-Jul-18	2,496,000	7.60	7.32	18,796,000	16-Jul-18
9-Jul-18	1,920,000	7.72	7.56	14,750,000	24-Jul-18
10-Jul-18	1,594,000	7.84	7.67	12,355,000	24-Jul-18
11-Jul-18	1,870,000	7.75	7.59	14,381,000	24-Jul-18
12-Jul-18	5,138,500	7.70	7.55	39,090,000	24-Jul-18
13-Jul-18	6,923,500	8.00	7.65	54,354,000	24-Jul-18
31-Aug-18	1,000,000	6.65	6.57	6,618,000	17-Sep-18
3-Sep-18	622,500	6.65	6.60	4,133,000	17-Sep-18
4-Sep-18	168,000	6.70	6.65	1,124,000	17-Sep-18
5-Sep-18	1,793,000	6.82	6.79	12,198,000	17-Sep-18
6-Sep-18	2,482,500	6.85	6.80	16,987,000	17-Sep-18
7-Sep-18	3,622,000	6.87	6.83	24,846,000	17-Sep-18
10-Sep-18	6,390,000	6.87	6.75	43,849,000	24-Sep-18
11-Sep-18	9,952,000	6.80	6.74	67,557,000	24-Sep-18
12-Sep-18	10,500,000	6.80	6.72	71,164,000	24-Sep-18
13-Sep-18	4,000,000	6.88	6.79	27,424,000	24-Sep-18
14-Sep-18	19,600,000	6.10	5.75	115,318,000	24-Sep-18

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2018: nil).

46. RESERVES

(a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shangdong Hongqiao in excess of the net book value of Chongqing Weiqiao acquired from Weiqiao Chuangye in 2018; and (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries.

(b) Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the PRC, those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Investment revaluation reserve

Investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

47. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which comprising the bank borrowings, other borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 37, 38, 39, 40, 41 and 42, and cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 45, share premium and reserves in the consolidated statement of financial position.

Management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, raise of new capital and share buy-backs as well as the issuance of new debt.

48. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amostised cost (including cash and cash equivalents)	**66,380,707**	67,189,175
Financial assets at FVTPL		
– Financial asset at FVTPL	**2,005**	-
– Other financial asset	**819**	-
Financial assets at FVTOCI		
– Equity instruments at FVTOCI	**289,339**	908,170
Financial liabilities		
Financial liabilities at FVTPL		
– Derivatives component of convertible bonds	**279,937**	415,195
– Other financial liabilities	**3,300**	–
Financial liabilities at amortised cost	**106,661,165**	108,758,598

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables, other financial asset, restricted bank deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, other financial liabilities, bank borrowings, other borrowing, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and liability component of convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

(i) Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
US$	**1,638,511**	1,331,603	**20,844,916**	17,884,350
Hong Kong Dollar ("HK$")	**79,264**	26,007	**–**	–
IDR	**26,994**	96,790	**–**	–

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to US$, HK$ and IDR.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2019 **RMB'000**	2018 RMB'000
Effect on post-tax profit:		
US$ (note (i))	**720,610**	620,712
HK$ (note (ii))	**(2,972)**	(920)
IDR (note (iii))	**(1,012)**	(3,630)

Notes:

(i) This is mainly attributable to the exposure outstanding on US$ of cash and cash equivalents, trade and other receivables, trade and other payables, bank borrowings, other borrowing, guaranteed notes and convertible bonds at year end.

(ii) This is mainly attributable to the exposure outstanding on HK$ of cash and cash equivalents, prepayments and other receivables, trade and other payables at year end.

(iii) This is mainly attributable to the exposure outstanding on IRD of cash and cash equivalents, prepayments and other receivables, trade and other payables at year end.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, liability component of convertible bonds, short-term debentures and notes, medium-term debentures and bonds, other borrowing and guaranteed notes. The Group aims at keeping borrowings at fixed rates.

The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and floating interest rate bank borrowings, and mainly concentrated on the fluctuation of interest rate quoted from the PBOC, LIBOR and HIBOR on the bank borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant:

	2019 **RMB'000**	2018 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(38,876)**	(50,597)
As a result of decrease in interest rate	**38,876**	50,597

This is mainly attributable to the Group's exposure to interest rates on its interest bearing restricted bank deposits and bank balances and variable-rate bank borrowings after adjusting for the estimated effect capitalisation of borrowing costs.

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instrument operating in consultancy service industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective equity instrument had been 10% (2018: 10%) higher/lower, other comprehensive income for the year ended 31 December 2019 would increase/decrease by approximately RMB28,934,000 (2018: RMB90,817,000) as a result of the changes in financial assets at FVTOCI.

(d) Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from loans to associates, trade receivables, bills receivable, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered loans to associates to be low credit risk and the Group was measured the loss allowance limited to 12-month ECL.

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables**	**Other financial assets**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2019

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables (note 1)	Performing	Lifetime ECL (simplified approach)	**10,311,326**	**–**	**10,311,326**
Trade receivables	Default	Lifetime ECL – credit impaired	**7,001**	**(7,001)**	**–**
Bills receivables (note 2)	Performing	12-month ECL	**11,139,775**	**–**	**11,139,775**
Other receivables	Performing	12-month ECL	**1,440,898**	**–**	**1,440,898**
Other receivables	Doubtful	Lifetime ECL – not credit impaired	**223,909**	**(13,856)**	**210,053**
Other receivables	Default	Lifetime ECL – credit impaired	**26,844**	**(26,844)**	**–**
Loan to an associate	Performing	12-month ECL	**2,000,000**	**–**	**2,000,000**
				(47,701)	

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2018

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables (note 1)	Performing	Lifetime ECL (simplified approach)	6,750,578	–	6,750,578
Trade receivables	Default	Lifetime ECL – credit impaired	6,725	(6,725)	–
Bills receivables (note 2)	Performing	12-month ECL	11,726,626	–	11,726,626
Other receivables	Performing	12-month ECL	1,765,654	–	1,765,654
Other receivables	Doubtful	Lifetime ECL – not credit impaired	324,166	(14,736)	309,430
Other receivables	Default	Lifetime ECL – credit impaired	23,722	(23,722)	–
				(45,183)	

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.

2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 9% (2018: 17%) and 43% (2018: 44%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group has concentration of credit risk in respect of bank's acceptance bills receivable as the Group's largest bills receivable from bank represented 17% (2018: 21%) of the total bills receivable as at 31 December 2019. In addition, the Group's bills receivable from the top five major banks represented 59% (2018: 41%) of the total bills receivable as at 31 December 2019.

The credit risk on bank balances and restricted bank deposits is limited because such amounts are placed with various banks with good credit ratings. Other than disclosed above, the Group does not have any other significant concentration of credit risk.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. Other than the cash generated from operating activities, the Group's management is responsible for obtaining funding from other sources, including guaranteed notes, convertible bonds, bank borrowings, other borrowing, short-term debentures and notes, medium-term debentures and bonds and issue of new shares. The management also monitors the recognition of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

48. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	**9,619,807**	**9,646,986**	**402,678**	**13,093**	**–**	**19,682,564**	**19,023,340**
Floating-rate bank borrowings	**7,103,956**	**3,968,252**	**1,414,170**	**498,756**	**2,801,801**	**15,786,935**	**13,551,137**
Fixed-rate other borrowing	**49,680**	**1,399,955**	**–**	**–**	**–**	**1,449,635**	**1,391,446**
Medium-term debentures and bonds	**1,192,103**	**2,699,190**	**26,291,198**	**15,300,460**	**–**	**45,482,951**	**40,025,013**
Trade and bills payables	**18,215,656**	**–**	**–**	**–**	**–**	**18,215,656**	**18,215,656**
Other payables	**9,846,705**	**–**	**–**	**–**	**–**	**9,846,705**	**9,846,705**
Lease liabilities	**16,073**	**16,073**	**19,431**	**11,399**	**51,529**	**114,505**	**90,733**
Guaranteed notes	**124,829**	**126,898**	**251,726**	**3,704,763**	**–**	**4,208,216**	**3,457,313**
Convertible bonds	**42,571**	**43,277**	**85,848**	**1,795,051**	**–**	**1,966,747**	**1,150,555**
	46,211,380	**17,900,631**	**28,465,051**	**21,323,522**	**2,853,330**	**116,753,914**	**106,751,898**

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2018							
Fixed-rate bank borrowings	3,827,181	2,627,440	6,999,171	404,125	14,427	13,872,344	13,096,540
Floating-rate bank borrowings	7,529,188	6,116,350	834,603	2,323,666	1,698,215	18,502,022	17,100,998
Fixed-rate other borrowing	50,825	51,668	1,442,667	–	–	1,545,160	1,366,569
Short-term debentures and notes	4,050,267	–	–	–	–	4,050,267	4,000,000
Medium-term debentures and bonds	1,080,872	1,098,787	3,666,988	41,552,461	–	47,399,108	42,830,014
Trade and bills payables	16,661,437	–	–	–	–	16,661,437	16,661,437
Other payables	9,612,324	–	–	–	–	9,612,324	9,612,324
Guaranteed notes	3,151,464	–	–	–	–	3,151,464	3,078,664
Convertible bonds	40,343	41,011	81,354	1,782,430	–	1,945,138	1,012,052
	46,003,901	9,935,256	13,024,783	46,062,682	1,712,642	116,739,264	108,758,598

The amounts included above of floating interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

48. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurements of financial instruments

Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2019			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL				
Collective investment trust	**–**	**2,005**	**–**	**2,005**
Derivative financial assets				
– Capped forward contract	**–**	**819**	**–**	**819**
Financial assets at FVTOCI				
Listed equity instrument	**289,339**	**–**	**–**	**289,339**
	289,339	**2,824**	**–**	**292,163**
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	**–**	**279,937**	**–**	**279,937**
Derivative financial assets				
– Interest rate swap contracts	**–**	**3,300**	**–**	**3,300**
	–	**283,237**	**–**	**283,237**

	31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Listed equity instrument	908,170	–	–	908,170
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	–	415,195	–	415,195

There were no transfers between levels of fair value hierarchy in the current and prior years.

48. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurements of financial instruments (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31.12.2019 RMB'000	Fair value as at 31.12.2018 RMB'000	Valuation technique and key inputs
Financial asset at FVTOCI	Level 1	**289,339**	908,170	Quoted bid prices in an active market
Capped forward contract	Level 2	**819**	–	Discounted cash flows – Based on forward contracts exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties)
Interest rate swaps contracts	Level 2	**3,300**	–	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of convertible bonds	Level 3	**128,516**	161,740	Binomial option pricing model: Key inputs: risk free rate of 1.59% (2018: 2.45%), and effective interest rate of 8.86% (2018: 8.97% and volatility of 41.71% (2018: 55.54%)
Conversion option derivative of convertible bonds	Level 3	**151,421**	253,455	Binomial option pricing model: Key inputs: risk free rate 1.59% (2018: 2.45%), and effective interest rate of 8.86% (2018: 8.97%) and volatility of 41.71% (2018: 55.54%)
Financial asset at FVTPL	Level 3	**2,005**	–	Market multiples – Based on average P/E multiple peers and discount for lack of marketability

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The chief financial officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair values of the assets and liabilities.

48. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurements of financial instruments (Continued)

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, financial assets included in other receivables, trade and bills payables, financial liabilities included in other payables and accruals, bank borrowings-due within one year, short-term debentures and notes, other borrowing – due within one year and guaranteed notes due within one year approximate to their carrying amounts largely due to the short term maturities of these instruments. Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2019		31 December 2018	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Listed				
Medium-term bonds due after one year	**24,198,294**	**24,182,540**	25,889,594	25,774,590
Unlisted				
Medium-term bonds due after one year	**14,330,935**	**13,845,774**	15,187,663	15,104,037
Bank borrowings – due after one year	**3,519,628**	**3,460,646**	11,263,803	11,161,195
Other borrowings – due after one year	**–**	**–**	1,366,569	1,314,795
Liability component of convertible bonds	**1,150,555**	**1,143,260**	1,012,052	1,002,270

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	As at 31 December 2019			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	**24,182,540**	**–**	**–**	**24,182,540**
Medium-term bonds due after one year – unlisted	**–**	**13,845,774**	**–**	**13,845,774**
Bank borrowings – due after one year	**–**	**3,460,646**	**–**	**3,460,646**
Liability component of convertible bonds	**–**	**1,143,260**	**–**	**1,143,260**
	24,182,540	**18,449,680**	**–**	**42,632,220**

48. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurements of financial instruments (Continued)

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	25,774,590	–	–	25,774,590
Medium-term bonds due after one year – unlisted	–	15,104,037	–	15,104,037
Bank borrowings – due after one year	–	11,161,195	–	11,161,195
Other borrowing – due after one year	–	1,314,795		1,314,795
Liability component of convertible bonds	–	1,002,270	–	1,002,270
	25,774,590	28,582,297	–	54,356,887

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of listed medium-term bonds due after one year is included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 above has been determined using the quoted bid prices in an active market.

- The fair value of unlisted medium-term bonds, guaranteed notes, other borrowing and bank borrowings due after one year and liability component of convertible bonds are included in Level 2 of the fair value hierarchy. The fair values of the financial liabilities included in the Level 2 category above have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

49. ACQUISITION OF A SUBSIDIARY

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

Consideration of the acquisition:

	RMB'000
Cash consideration	147,666
Less: cash consideration paid	(92,166)
Consideration payable (included in other payables)	55,500

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

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

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

49. ACQUISITION OF A SUBSIDIARY (Continued)

Gain on bargain purchase:

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

Net cash outflow arising on acquisition:

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

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

Had the acquisition been completed on 1 January 2019, total revenue of the Group for the year ended 31 December 2019 would have been approximately RMB84,495,325,000 and profit for the year would have been approximately RMB6,418,915,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

* The English translation is for reference only

50. DISPOSAL OF A SUBSIDIARY

On 30 June 2018, Zhanhua Huihong an indirect wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Zhanhua Maohong New Material Company Limited* ("Zhanhua Maohong New Material") 濱州市沾化區茂宏新材料有限公司, a company directly wholly-owned by Zhanhua Huihong, to an independent third party at a cash consideration of RMB2,950,000,000. RMB1,475,000,000 of the consideration was received during the year ended 31 December 2018. The remaining balances of RMB590,000,000 and RMB885,000,000 were settled on 30 June 2019 and 31 December 2019 respectively. The fair value of the consideration is assessed at net present value and discounted by weighted averaged borrowing costs of the Group.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,182,302
Other receivables	298,828
Cash and cash equivalents	1,000
Net assets disposed of	3,482,130

Loss on disposal of a subsidiary

	RMB'000
Consideration received and receivable	2,833,358
Net assets disposed of	(3,482,130)
Loss on disposal of a subsidiary	(648,772)

Consideration of the disposal

	RMB'000
Consideration of the disposal	2,833,358
Imputed interest on unsettled consideration	116,642
Less: cash consideration received	(2,950,000)
	–

Net cash inflow arising on disposal

	As at 31 December 2018 RMB'000
Cash consideration received	1,475,000
Less: cash and cash equivalents disposed of	(1,000)
	1,474,000

* The English translation is for reference only

51. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

Acquisition of additional interest in subsidiaries

a) On 8 October 2019, the Group acquired an additional 40% issued shares of Shanghai Helu Equity Investment Company Limited* ("Shanghai Helu Equity Investment") 上海和魯股權投資管理有限公司, increasing its ownership interest to 100%. Cash consideration of RMB24,048,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Shanghai Helu Equity Investment was approximately RMB70,187,000. A schedule of the effect of acquisition of additional interest is as follow:

	2019 RMB'000
Carrying amount of non-controlling interest acquired	**28,075**
Consideration paid for acquisition of additional interest in Shanghai Helu Equity Investment	**(24,048)**
Difference recognised in retained earnings within equity	**4,027**

b) On 26 September 2019, the Group acquired an additional 10% issued shares of Chongqing Weiqiao, increasing its ownership interest to 65%. Cash consideration of RMB51,922,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao was approximately RMB532,700,000. A schedule of the effect of acquisition of additional interest is as follow:

	2019 RMB'000
Carrying amount of non-controlling interest acquired	**53,270**
Consideration paid for acquisition of additional interest in Chongqing Weiqiao	**(51,922)**
Difference recognised in retained earnings within equity	**1,348**

* The English translation is for reference only

52. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and borrowings granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	2019 RMB'000	2018 RMB'000
Restricted bank deposits (note 32)	**1,423,967**	1,256,474
Property, plant and equipment (note 17)	**11,121,259**	9,282,147
Right-of-use assets (note 18)	**300,980**	–

53. LEASE COMMITMENTS

The Group as lessee

	31.12.2018 RMB'000
Minimum lease payments paid under operating leases for premises	11,621

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2018 RMB'000
Within one year	8,672
In the second to fifth year inclusive	20,986
Over five years	48,958
	78,616

As at 31 December 2018, operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years to twenty five years and rentals are fixed for an average term of two years to twenty five years.

The Group is the lessee in respect of a number of properties which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4, and the details regarding the Group's future lease payments are disclosed in note 18.

The Group as lessor

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	31.12.2018 RMB'000
Within one year	12,083
In the second to fifth year inclusive	13,714
	25,797

54. COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment – Contracted for but not provided	**2,292,296**	794,563

55. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group has the following related parties transactions.

(a) During the reporting period, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye	note iii
Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited ("Ming Hong Textile") 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Zouping Weiqiao Recycling Resources Co.,Ltd ("Zouping Weiqiao") 鄒平魏橋再生資源利用有限公司 (note i)	Controlled by Weiqiao Chuangye
Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman") 凱斯曼秦皇島汽車零部件製造有限公司	Controlled by CITIC Group Corporation (note ii)
CITIC Trust Co., Ltd. ("CITIC Trust") 中信信托有限責任公司	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank International ("CITIC Bank") 中信銀行(國際)有限公司	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank 中信銀行股份有限公司 ("China CITIC Bank")	Controlled by CITIC Group Corporation (note ii)
Binzhou City Construction Investment Development Co. Ltd. ("Binzhou Investment") 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd ("Shandong Ruixin") 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye
PT. Harita Jayaraya ("Harita Jayaraya")	note iv
PT. Cita Mineral Investindo, Tbk.	note iv
PT. Lima Srikandi Jaya	Controlled by Harita Jayaraya
PT. Mitra Kemakmuran Line	Controlled by Harita Jayaraya
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply") 沾化金沙供水有限公司	An associate of Weiqiao Chuangye
Innovation Carbon New Material	An associate of a wholly-owned subsidiary of the Company
ABM	An associate of a wholly-owned subsidiary of the Company
GTS	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company
SMB	An associate of a wholly-owned subsidiary of the Company
Binneng Energy	An associate of a wholly-owned subsidiary of the Company

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

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

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

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

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

During the year, the Group entered into the following transactions with related parties:

	Notes	2019 RMB'000	2018 RMB'000
Purchases of water			
Jinsha Water Supply	(b)	**(19,160)**	(14,269)
Weiqiao Chuangye	(b)	**(44,623)**	–
Industrial waste expenses			
Beihai Solid Waste	(b)	**(169,814)**	–
Purchases of bauxite			
ABM	(a)	**–**	(685,170)
GTS	(a)	**(12,330,052)**	(9,360,681)
PT. Cita Mineral Investindo, Tbk.	(b)	**(237,072)**	–
Purchase of electricity			
Binneng Energy	(a)	**(2,266,852)**	–
Purchases of anode carbon block			
Innovation Carbon New Material	(a)	**(248,095)**	–
Sales of steam			
Binzhou Industrial Park	(b)	**17,518**	22,794
Ming Hong Textile	(b)	**3,797**	4,682
Binzhou Investment	(a)	**21,087**	19,845
Sales of electricity			
Innovation Carbon New Material	(a)	**5,528**	3,542
Beihai Solid Waste	(a)	**–**	91

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

During the year, the Group entered into the following transactions with related parties: (Continued)

	Notes	2019 RMB'000	2018 RMB'000
Sales of molten aluminum alloy			
Caseman	(b)	**2,890,663**	1,848,553
Legal and professional fee			
Shandong Ruixin	(a)	**(4,767)**	(5,004)
Sales of raw materials			
Zouping Weiqiao	(a)	**–**	129
Beihai Solid Waste	(a)	**575**	–
Lease payment			
Weiqiao Chuangye	(a), (c)	**(2,614)**	(2,375)
PT. Lima Srikandi Jaya	(b), (e)	**(29)**	–
Harita Jayaraya	(b), (d)	**(1,410)**	–
PT. Mitra Kemakmuran Line	(b), (e)	**(133)**	–
PT. Antar Sarana Rekasa	(b), (e)	**(8,715)**	–
Bank interest income			
China CITIC Bank	(a)	**569**	479
Interest income from an associate			
Binneng Energy	(a)	**62,000**	–
Interest expenses on bank borrowings			
CITIC Bank	(a)	**97,944**	67,582
China CITIC Bank	(a)	**370,233**	171,698
Purchases of collective investment trust			
CITIC Trust	(b)	**(1,100,000)**	–
Investment income			
CITIC Trust	(b)	**2,026**	–

Notes:

(a) The related party transactions in respect of (a) above do not constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules, or to be exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

(b) The related party transactions in respect of (b) above constitute continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules and the disclosures required by Chapter 14A of the Listing Rules are provided in the 'Report of the Directors' section to the annual report.

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(c) In 2018, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB44,236,000.

(d) During the year, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of approximately RMB2,255,000. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB1,124,000.

(e) During the year, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. At the commencement date of the leases, the Group recognised right-of-use assets and lease liabilities of approximately RMB21,899,000. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB16,706,000.

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

	2019 **RMB'000**	2018 RMB'000
Bank balances		
CITIC Bank (note i)	**194,744**	93,963
China CITIC Bank (note ii)	**95,075**	78,119
Bank borrowings		
CITIC Bank (notes iii and v)	**(732,501)**	(2,335,191)
China CITIC Bank (notes iv and v)	**(6,435,000)**	(7,180,666)
Loans to associates		
ABM	**767,382**	754,952
Binneng Energy	**2,000,000**	–
Trade payables		
GTS	**(127,236)**	(264,647)
Innovation Carbon New Material	**(76,031)**	–
Jinsha Water Supply	**(2,624)**	(424)
Weiqiao Chuangye	**(11,292)**	–
PT. Cita Mineral Investindo, Tbk.	**(38,942)**	–

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	2019 RMB'000	2018 RMB'000
Trade receivables		
Binzhou Investment	**–**	4,563
Ming Hong Textile	**114**	102
Zouping Weiqiao	**–**	129
Receivables from financial institution		
CITIC Trust	**1,000,000**	–
Financial assets at FVTPL		
CITIC Trust	**2,005**	–
Prepayment		
Jinsha Water Supply	**–**	7,837
Binneng Energy	**2,438,457**	–
Contract liabilities		
Caseman	**(19,928)**	(17,143)

Notes:

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

ii. The bank balances of China CITIC Bank were interest bearing at normal interest rate of 0.3% per annum for the years ended 31 December 2019 and 2018.

iii. The bank borrowings of CITIC Bank were interest bearing at normal interest rates range from 5.9% to 6.5% per annum for the years ended 31 December 2019 and 2018.

iv. The bank borrowings of China CITIC Bank was interest bearing at normal interest rate of 4.32% to 5.25% per annum for the years ended 31 December 2019 and 2018.

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

(b) Compensation of key management personnel

	2019 RMB'000	2018 RMB'000
Short term employee benefit	**4,798**	5,803
Retirement benefits scheme contributions	**64**	68
	4,862	5,871

Further details of the directors' and chief executive's emoluments are included in note 13 to the consolidated financial statements.

55. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	2019 RMB'000	2018 RMB'000
Weiqiao Chuangye	**299,000**	299,000

56. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2019, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB214,394,000 (2018: RMB142,303,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

57. LITIGATION

In prior years, a lawsuit was filed by a total of 115 engineering staff against Beihai Xinhe in respect of a dispute in the labor service fee between the 115 engineering staff and Beihai Xinhe. Beihai Xinhe had no direct relationship with those individuals but acted as the main contractor for a construction project. In 2016, Beihai Xinhe received a civil order issued by the Zhang Yuan Xian District Court, which accepted the application by the 115 engineering staff for property attachment prior to lawsuit to freeze Beihai Xinhe's bank accounts in an aggregate amount of approximately RMB15,560,000. In connection with the lawsuit, five of Beihai Xinhe's bank accounts with an aggregate amount of approximately RMB5,564,000 was frozen as at 31 December 2017. On 24 October 2018, the Higher People's Court of Henan Xinxiang (the "the Higher People's Court") ordered The No. 4 Metallurgical Construction Company of China Limited to settle the labour service fee of the 115 engineering staff. As at 31 December 2019 and 2018, the directors of the Company considered that no provision was required be made in the consolidated financial statements after the consideration of the Higher People's Court order issued on 24 October 2018 and the legal opinion obtained from the Company's legal counsel.

China Sixth Metallurgical Construction Co., Ltd.* ("China Sixth Metallurgical") 中國有色金屬工業第六冶金建設有限公司, a subsidiary of China Aluminum International Engineering Corporation Limited* 中鋁國際工程股份有限公司, has prosecuted the Group in November 2019 in relation to default of construction cost and relevant interest expenses in aggregation of approximately RMB224,880,000. The litigation involved four construction contracts which covered the period from April 2012 to June 2016 and January 2015 to January 2017 respectively. Such cases have been accepted by the local courts in December 2019 and the Group has negotiated with China Sixth Metallurgical for possible settlement. Subsequently in January 2020, China Sixth Metallurgical cancelled the prosecutions against the Group and the directors of the Company estimated the Group has approximately RMB60,000,000 to China Sixth Metallurgical as an out of court settlement.

58. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	1 January 2019 RMB'000	Financing cash flows RMB'000	Adoption of IFRS16 RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2019 RMB'000
Bank borrowings	**30,197,538**	**2,342,059**	**–**	**–**	**34,880**	**–**	**32,574,477**
Other borrowing	**1,366,569**	**–**	**–**	**–**	**24,877**	**–**	**1,391,446**
Lease liabilities	**–**	**(26,192)**	**112,608**	**3,481**	**836**	**–**	**90,733**
Liability component of CBs	**1,012,052**	**–**	**–**	**123,347**	**15,156**	**–**	**1,150,555**
Derivatives component of CBs	**415,195**	**–**	**–**	**–**	**5,300**	**(140,558)**	**279,937**
Short-term debentures and notes	**4,000,000**	**(4,000,000)**	**–**	**–**	**–**	**–**	**–**
Medium-term debentures and bonds	**42,830,014**	**(3,212,636)**	**–**	**407,635**	**–**	**–**	**40,025,013**
Guaranteed notes	**3,078,664**	**351,421**	**–**	**22,405**	**4,823**	**–**	**3,457,313**
Interest payable	**1,778,752**	**(4,779,292)**	**–**	**4,662,727**	**–**	**–**	**1,662,187**
	84,678,784	**(9,324,640)**	**112,608**	**5,219,595**	**85,872**	**(140,558)**	**80,631,661**

			Non-cash changes				
	1 January 2018 RMB'000	Financing cash flows RMB'000	Issue of shares upon conversion of convertible bonds RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2018 RMB'000
Bank borrowings	20,054,751	10,070,407	–	–	72,380	–	30,197,538
Other borrowing	–	1,366,569	–	–	–	–	1,366,569
Liability component of CBs	1,095,225	–	(248,367)	98,971	66,223	–	1,012,052
Derivatives component of CBs	991,660	–	(224,881)	–	46,099	(397,683)	415,195
Short-term debentures and notes	3,000,000	953,965	–	46,035	–	–	4,000,000
Medium-term debentures and bonds	43,468,056	(731,768)	–	93,726	–	–	42,830,014
Guaranteed notes	1,957,399	989,278	–	17,500	114,487	–	3,078,664
Interest payable	1,521,194	(3,919,599)	–	4,177,157	–	–	1,778,752
	72,088,285	8,728,852	(473,248)	4,433,389	299,189	(397,683)	84,678,784

59. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**112**	644
Right-of-use assets		**17,101**	–
Investment in subsidiaries		**11,199,239**	11,199,239
Other receivables		**767,382**	754,952
Amounts due from subsidiaries	(i)	**14,153,063**	16,916,448
Financial assets at fair value through other comprehensive income		**289,339**	908,170
		26,426,236	29,779,453
Current assets			
Trade receivables		**1,639,563**	314,549
Prepayment and other receivables		**1,527**	1,494
Amount due from immediate holding company	(ii)	**27**	–
Other financial asset		**819**	–
Cash and cash equivalents		**284,309**	121,757
		1,926,245	437,800
Current liabilities			
Trade payables		**34,681**	9,030
Other payables		**118,342**	65,454
Lease liabilities		**8,098**	–
Bank borrowings – due within one year		**2,105,577**	2,603,767
Other borrowing – due within one year		**1,391,446**	–
Other financial liabilities		**3,300**	–
Income tax payable		**37,224**	22,959
Guaranteed notes		**–**	3,078,664
		3,698,668	5,779,874
Net current liabilities		**(1,772,423)**	(5,342,074)
Total assets less current liabilities		**24,653,813**	24,437,379
Non-current liabilities			
Lease liabilities		**8,927**	–
Bank borrowings – due after one year		**1,098,461**	2,417,190
Other borrowing – due after one year		**–**	1,366,569
Convertible bonds		**1,150,555**	1,012,052
Guaranteed notes		**3,457,313**	–
Derivative component of convertible bonds		**279,937**	415,195
		5,995,193	5,211,006
Net assets		**18,658,620**	19,226,373
Capital and reserves			
Share capital		**559,090**	566,172
Reserves	(iii)	**18,099,530**	18,660,201
Total equity		**18,658,620**	19,226,373

59. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable after one year. The fair value is estimated at RMB13,700,101,000 (2018: RMB16,916,448,000) by using the effective interest rate of 4.9% per annum.

(ii) The amount due from immediate holding company is unsecured, interest-free and repayable on demand.

(iii) Movement in reserves

	Share premium RMB'000	Share reserve* RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	14,946,158	3,193,854	(3,400,601)	14,739,411
Profit and total comprehensive income for the year	–	–	734,591	734,591
Issue of shares	5,079,271	–	–	5,079,271
Transaction costs attributable to issue of shares	(60,822)	–	–	(60,822)
Issue of shares upon conversion of convertible bonds	468,753	–	–	468,753
Dividend paid	–	–	(1,697,064)	(1,697,064)
Share repurchase and cancelled	(603,939)	–	–	(603,939)
At 31 December 2018 and 1 January 2019	**19,829,421**	**3,193,854**	**(4,363,074)**	**18,660,201**
Profit and total comprehensive income for the year	**–**	**–**	**1,764,729**	**1,764,729**
Dividend paid	**–**	**–**	**(1,807,631)**	**(1,807,631)**
Share repurchased and cancelled	**(517,769)**	**–**	**–**	**(517,769)**
At 31 December 2019	**19,311,652**	**3,193,854**	**(4,405,579)**	**18,099,530**

* Share reserve represented capitalisation of amount due to a related party in prior year.

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	
China Hongqiao Investment Limited	British Virgin Islands ("BVI")	Ordinary Shares	US$200	100	100	-	–	100	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	-	–	100	100	100	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	61	61	-	–	61	61	Manufacture and sale of alumina
Hongqiao International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	-	–	100	100	100	100	Trading of bauxite
Shandong Hongqiao (note ii)	PRC	Ordinary Shares	US$1,533,120,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd.* 鄒平縣宏利熱電有限公司 (note iii)	PRC	Ordinary Shares	RMB1,817,065,373	-	–	100	100	100	100	Production and sale of electricity
Zhouping Hongmao New Material Technology Co., Ltd.* 鄒平縣宏茂新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zhouping Hongzheng New Material Technology Co., Ltd.* 鄒平縣宏正新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB700,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Shandong Weiqiao Aluminum & Power Co., Ltd.* ("Shandong Weiqiao") 山東魏橋鋁電有限公司 (note iii)	PRC	Ordinary Shares	RMB13,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zouping County Hongxu Thermal Power Co., Ltd.* ("Hongxu Power") 鄒平縣宏旭熱電有限公司 (note iii)	PRC	Ordinary Shares	RMB8,200,000,000	-	–	100	100	100	100	Production and sale of electricity
Zouping Huiju New Material Technology Co., Ltd.* 鄒平縣匯聚新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	
Zouping Huicai New Material Technology Co., Ltd.* 鄒平縣匯才新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB3,700,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huisheng New Material Technology Co., Ltd.* 鄒平縣匯盛新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB5,900,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huimao New Mateiral Technology Co., Ltd.* 鄒平縣匯茂新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB5,500,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Huimin Huihong New Material Co., Ltd.* 惠民縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB5,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zhanhua Huihong New Material (note iii)	PRC	Ordinary Shares	RMB3,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Yangxin New Material Co., Ltd.* 陽信縣匯宏新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Beihai New Material Co., Ltd. * 濱州北海匯宏新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB3,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Hongnuo New Material Co. Ltd.* 濱州市宏諾新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly		Indirectly		Proportion of voting power held by the Group		Principal activities
				2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	
Shandong Hongqiao Financial Leasing Co., Ltd.* 山東宏橋融資租賃有限公司 (note ii)	PRC	Ordinary Shares	US$200,000,000	-	–	100	100	100	100	Financial leasing
Shandong Hongfan Industrial Co., Ltd.* 山東宏帆實業有限公司 (note iii)	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Hongzhan Aluminum Technology Co., Ltd.* 濱州宏展鋁業科技有限公司 (note iii)	PRC	Ordinary Shares	RMB200,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zouping Hongfa Aluminum Technology Co., Ltd.* 鄒平宏發鋁業科技有限公司 (note iii)	PRC	Ordinary Shares	RMB700,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Shandong Hongbin International Business Co., Ltd.* 山東宏濱國際商貿有限公司 (note iii)	PRC	Ordinary Shares	RMB30,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Municipal Beihai Xinhe New Material Co., Ltd.* ("Beihai Xinhe") 濱州市北海信和新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB2,100,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Hongchuang (note i and iii)	PRC	Ordinary Shares	RMB926,400,000	-	–	28.18	28.18	28.18	28.18	Manufacture and sale of aluminum products
Chongqing Weiqiao (note iii)	PRC	Ordinary Shares	RMB500,000,000	-	–	65	55	65	55	Provision of financing

* For identification purpose only.

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Notes:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 28.18% equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

ii: The entity is a wholly foreign owned enterprise.

iii: The entity is a wholly-domestic owned enterprise.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The following subsidiaries had issued approximately RMB40,025,013,000 (2018: RMB46,830,014,000) of debt securities at the end of the year:

	Total and held by third parties	
	2019 RMB'000	2018 RMB'000
Shandong Hongqiao	**24,177,708**	32,117,123
Shandong Weiqiao	**15,847,305**	14,712,891

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC and Singapore. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2019	2018
Sales of aluminum products	The PRC	**14**	4
Sales of metal products	The PRC	**1**	–
Sales of scrap materials	The PRC	**1**	1
Capital investor	The PRC	**1**	1
Various trading business	The PRC	**2**	2
Energy enhancement solution services	The PRC	**1**	2
Delivery service	The PRC	**1**	1
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**4**	–
		28	14

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Profit (Loss) attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Hongchuang and its subsidiaries	PRC	**71.82%**	71.82%	**71.82%**	71.82%	**196,604**	(3,228)	**1,168,159**	971,555

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intergroup eliminations.

Hongchuang and its subsidiaries

	2019 **RMB'000**	2018 RMB'000
Current assets	**1,345,512**	726,338
Non-current assets	**1,348,204**	1,016,662
Current liabilities	**(1,053,679)**	(361,843)
Non-current liabilities	**(13,529)**	(28,394)
Equity attributable to owners of the Company	**458,349**	381,208
Non-controlling interest	**1,168,159**	971,555
Revenue	**2,878,283**	1,521,143
Expenses	**(2,604,538)**	(1,525,638)
Profit (loss) for the year	**273,745**	(4,495)
Profit (loss) attributable to owners of the Company	**77,141**	(1,267)
Profit (loss) attributable to the non-controlling interest	**196,604**	(3,228)
Profit (loss) and total comprehensive income (expenses) for the year	**273,745**	(4,495)
Total comprehensive income (expense) attributable to owners of the Company	**77,141**	(1,267)
Total comprehensive income (expense) attributable to the non-controlling interest	**196,604**	(3,228)
Total comprehensive income (expense) for the year	**273,745**	(4,495)

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Hongchuang and its subsidiaries (Continued)

	2019	2018
	RMB'000	RMB'000
Net cash (outflows) inflows from operating activities	**(112,505)**	20,349
Net cash inflows (outflows) from investing activities	**169,851**	(212,286)
Net cash outflows from financing activities	**(18,054)**	(46,448)
Net cash inflows (outflows)	**39,292**	(238,385)

61. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2019, the Group entered into new arrangements in respect of office premises, factories, crew boats, vessels and crane barges. Right-of-use assets and lease liabilities of RMB112,608,000 were recognised at the commencement of the leases.

62. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Hongxu Power entered into a sales and purchase agreement with an independent third party conditionally agreed to dispose a power unit and its related assets and liabilities located in Zouping, at a cash consideration of RMB3,000,000,000. Details of the disposal are set out in the Company's announcement of the Company dated 18 March 2020.