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

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS HIGHLIGHTS

- Revenue increased by approximately 2.3% to approximately RMB86,144,641,000 as compared with the previous year
- Gross profit increased by approximately 17.6% to approximately RMB19,355,188,000 as compared with the previous year
- Profit for the year increased by approximately 61.8% to approximately RMB10,444,751,000 as compared with the previous year
- Net profit attributable to owners of the Company increased by approximately 72.2% to approximately RMB10,495,936,000 as compared with the previous year
- Basic earnings per share increased by approximately 72.3% as compared with the previous year and were approximately RMB1.2210 per share
- Proposed final dividend of HK50 cents per share, together with the 2020 interim dividend of HK15 cents per share, the total 2020 dividend is HK65 cents per share, representing an increase of approximately 91.2% as compared with the 2019 dividend of HK34 cents per share

The board (“Board”) of directors (the “Directors”) of China Hongqiao Group Limited (the “Company” or “China Hongqiao”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2020 (the “Year” or the “Year under Review”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
Revenue	3	86,144,641	84,179,288
Cost of sales		<u>(66,789,453)</u>	<u>(67,715,035)</u>
Gross profit		19,355,188	16,464,253
Other income and gains	5	2,700,719	3,140,517
Selling and distribution expenses		(399,894)	(449,041)
Administrative expenses		(4,052,174)	(3,645,691)
Other expenses	6	(616,586)	(2,166,798)
Finance costs		(4,506,236)	(5,219,595)
Changes in fair values of financial instruments		(291,255)	138,077
Share of profits of associates		<u>514,588</u>	<u>509,345</u>
Profit before taxation		12,704,350	8,771,067
Income tax expenses	7	<u>(2,259,599)</u>	<u>(2,315,924)</u>
Profit for the year		<u>10,444,751</u>	<u>6,455,143</u>
Attributable to:			
Owners of the Company		10,495,936	6,095,335
Non-controlling interests		<u>(51,185)</u>	<u>359,808</u>
		<u>10,444,751</u>	<u>6,455,143</u>

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Other comprehensive (expense) income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		(253,876)	55,098
Share of other comprehensive income of associates		<u>(108,703)</u>	<u>16,836</u>
		<u>(362,579)</u>	<u>71,934</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income		<u>(57,297)</u>	<u>(618,831)</u>
Total comprehensive income for the year, net of income tax		<u>10,024,875</u>	<u>5,908,246</u>
Total comprehensive income (expense) for the year attributable to			
Owners of the Company		10,175,062	5,525,864
Non-controlling interests		<u>(150,187)</u>	<u>382,382</u>
		<u>10,024,875</u>	<u>5,908,246</u>
Earnings per share	9		
– Basic (RMB)		<u>1.2210</u>	<u>0.7087</u>
– Diluted (RMB)		<u>1.2210</u>	<u>0.6979</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		64,750,361	71,019,374
Right-of-use assets		5,646,551	5,152,415
Intangible assets		27,429	24,884
Investment properties		4,053	–
Deposits paid for acquisition of property, plant and equipment		571,608	513,617
Deferred tax assets		2,886,026	2,084,454
Interests in associates		6,681,222	4,723,329
Loan to an associate		–	2,000,000
Goodwill		278,224	608,818
Financial asset at amortised cost		2,499,000	–
Financial assets at fair value through other comprehensive income		633,652	289,339
Prepayment		119,260	–
		84,097,386	86,416,230
CURRENT ASSETS			
Inventories		19,717,811	21,846,922
Trade receivables	<i>10</i>	10,335,568	10,311,326
Bills receivables		9,157,692	11,139,775
Prepayments and other receivables		9,126,270	6,075,312
Loan to an associate		2,000,000	–
Financial assets at fair value through profit or loss		–	2,005
Other financial asset		–	819
Income tax recoverable		88,814	–
Restricted bank deposits		1,542,098	1,423,967
Cash and cash equivalents		45,465,361	41,857,116
		97,433,614	92,657,242
Non-current assets classified as held for sale		–	530,973
		97,433,614	93,188,215

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	13,377,069	18,215,656
Other payables and accruals		12,105,674	13,379,843
Bank borrowings – due within one year		22,777,400	29,054,849
Other borrowing – due within one year		–	1,391,446
Other financial liabilities		4,942	3,300
Lease liabilities		25,080	28,874
Income tax payable		2,268,635	1,727,235
Medium-term debentures and bonds – due within one year		22,774,698	1,495,784
Deferred income		17,855	22,330
		<u>73,351,353</u>	<u>65,319,317</u>
NET CURRENT ASSETS		<u>24,082,261</u>	<u>27,868,898</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>108,179,647</u>	<u>114,285,128</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		11,483,498	3,519,628
Lease liabilities		58,609	61,859
Liability component of convertible bonds		1,215,939	1,150,555
Derivatives component of convertible bonds		550,111	279,937
Deferred tax liabilities		900,344	721,545
Medium-term debentures and bonds – due after one year		13,345,378	38,529,229
Guaranteed notes		3,242,270	3,457,313
Deferred income		581,828	549,086
		<u>31,377,977</u>	<u>48,269,152</u>
NET ASSETS		<u>76,801,670</u>	<u>66,015,976</u>
CAPITAL AND RESERVES			
Share capital	<i>12</i>	579,318	559,090
Reserves		<u>70,616,819</u>	<u>62,605,028</u>
Equity attributable to owners of the Company		71,196,137	63,164,118
Non-controlling interests		<u>5,605,533</u>	<u>2,851,858</u>
TOTAL EQUITY		<u>76,801,670</u>	<u>66,015,976</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 the annual report.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its subsidiaries in the People’s Republic of China (“PRC”) and Hong Kong. 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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning on 1 January 2020.

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

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2.1 Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no impact on the consolidated financial statements in the current year.

2.2 Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The application of these amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to IFRS 3	Reference to Conceptual Framework ³
Amendment to IFRS 16	COVID-19 Related Rent Concessions ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate Benchmark Reform-Phase 2 ¹
Amendment to IFRSs	Annual improvement to IFRSs 2018 – 2020 cycle ³

- 1 Effective for annual periods beginning on or after 1 January 2021.
- 2 Effective for annual periods beginning on or after a date to be determined.
- 3 Effective for annual periods beginning on or after 1 January 2022.
- 4 Effective for annual periods beginning on or after 1 June 2020.
- 5 Effective for annual periods beginning on or after 1 January 2023.

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

Amendments to IFRS 3, *Reference to the Conceptual Framework*

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of International Financial Report Interpretations Committee Interpretations (“IFRIC-Int”) 21 *Levies*, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and those in IAS 28 *Investments in Associates*, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors’ interests in that joint venture or associate.

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

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

Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group’s outstanding liabilities as at 31 December 2020, the application of the amendments will not result in change in the classification of the Group’s liabilities.

Amendments to IAS 16, *Property, Plant and Equipment-Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of “testing whether an asset is functioning properly”. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37, *Onerous Contracts-Cost of Fulfilling a Contract*

The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3. REVENUE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from sales of aluminum products		
– molten aluminum alloy	59,363,115	59,341,583
– aluminum alloy ingots	3,894,084	2,549,466
– aluminum fabrication	8,781,080	9,104,598
– alumina	13,486,945	12,521,125
Steam supply income	619,417	662,516
	<u>86,144,641</u>	<u>84,179,288</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>Geographical region</i>		
The PRC	82,342,173	80,224,507
India	839,287	1,102,616
Europe	715,969	369,731
Malaysia	650,694	1,334,050
Southeast Asia	614,070	568,581
North America	557,596	324,380
Others	424,852	255,423
Total	<u>86,144,641</u>	<u>84,179,288</u>
<i>Type of customers</i>		
Government related	2,481	2,341
Non-government related	86,142,160	84,176,947
Total	<u>86,144,641</u>	<u>84,179,288</u>
<i>Sales channels</i>		
Direct sales	<u>86,144,641</u>	<u>84,179,288</u>

4. 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

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

	Non-current assets	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	70,745,770	74,813,770
Indonesia	<u>6,615,199</u>	<u>6,461,285</u>
	<u>77,360,969</u>	<u>81,275,055</u>

Note: Non-current assets excluded financial instruments, loan to an associate and deferred tax assets.

Information about major customers

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

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	<u>33,645,435</u>	<u>30,033,675</u>

5. OTHER INCOME AND GAINS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	166,393	122,338
Other interest income	214,838	176,144
Investment income	105,802	2,026
Interest income from an associate	133,569	62,000
Imputed interest on receivables arising from disposal of a subsidiary	–	57,926
Gain from sales of raw materials and scraps materials	696,089	430,739
Gain from sales of slag of carbon anode blocks	654,964	701,401
Gain on bargain purchase	–	3,282
Gain on disposal of property, plant and equipment	–	21,631
Gain on disposal of investment properties	–	379,542
Gain on partial disposal of a subsidiary (<i>note 13</i>)	1,406	–
Reversal of impairment of property, plant and equipment	–	968,480
Reversal of impairment of inventories	88,975	69,366
Reversal of impairment of other receivables	–	13,335
Amortisation of deferred income	107,050	22,746
Value-added tax income	–	2,053
Foreign exchange gain, net	320,832	–
Rental income for investment properties under operating lease that lease payments are fixed	–	6,207
Other tax refunded	63,849	–
Others	146,952	101,301
	2,700,719	3,140,517

6. OTHER EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment loss recognised in respect of property, plant and equipment	162,283	1,727,404
Impairment loss recognised in respect of right-of-use assets	–	3,449
Impairment loss recognised in respect of goodwill	330,594	–
Impairment loss recognised in respect of other receivables	17,297	15,577
Impairment loss recognised in respect of trade receivables	185	276
Write-down of inventories to net realisable value	106,227	94,400
Write-off of property, plant and equipment	–	292,479
Write-off of inventories	–	33,213
	616,586	2,166,798

7. INCOME TAX EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
– PRC Enterprise Income Tax	2,842,822	2,325,832
– Indonesia Corporate Tax	39,550	139,426
– Withholding tax paid	–	9,391
Under provision in prior year		
– Hong Kong Profits Tax	–	9,239
	<u>2,882,372</u>	<u>2,483,888</u>
Deferred taxation	<u>(622,773)</u>	<u>(167,964)</u>
Total income tax expenses for the year	<u><u>2,259,599</u></u>	<u><u>2,315,924</u></u>

8. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Dividends recognised as distribution during the year	<u><u>3,760,997</u></u>	<u><u>1,807,631</u></u>

Subsequent to the end of the reporting period, a final dividend of HK50 cents per share in respect of the year ended 31 December 2020 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 HK34 cents per share in respect of the year ended 31 December 2019 and an interim dividend of HK15 cents per share in respect of the six months ended 30 June 2020 have been approved and paid.

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

9. EARNINGS PER SHARE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Earnings for the purpose of basic earnings per share	10,495,936	6,095,335
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	–	210,102
Changes in fair values of derivatives component of convertible bonds	–	(140,558)
Exchange loss on translation of convertible bonds	–	20,456
	<u>–</u>	<u>20,456</u>
Earnings for the purpose of diluted earnings per share	<u>10,495,936</u>	<u>6,185,335</u>
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,596,057	8,600,287
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	262,059
	<u>–</u>	<u>262,059</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>8,596,057</u>	<u>8,862,346</u>

The computation of diluted earnings per share for the year ended 31 December 2020 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

10. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	10,342,754	10,318,327
Less: allowance for impairment losses	(7,186)	(7,001)
	<u>–</u>	<u>–</u>
	<u>10,335,568</u>	<u>10,311,326</u>

At as 31 December 2020, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB10,342,754,000 (2019: RMB10,318,327,000).

The Group allows an average credit period of 90 days to its trade customers with trading history, or otherwise sales on cash terms are required. The following is an aged analysis of trade receivables, net of allowance for impairment of trade receivables presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period. Due to financial uncertainty arising from COVID-19, the Group has increased the expected credit loss for trade receivable based on their judgement as to the impact of COVID-19 on the trade receivable portfolio.

The Group has a policy of allowing average credit period of 90 days to its trade customers.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	8,691,846	8,561,127
3 to 12 months	1,642,343	1,748,274
12 to 24 months	1,379	1,925
	<u>10,335,568</u>	<u>10,311,326</u>

11. TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables to third parties	10,997,877	15,820,689
Trade payables to an associate	251,263	203,267
Trade payables to related parties	41,754	52,858
	<u>11,290,894</u>	<u>16,076,814</u>
Bills payables	2,086,175	2,138,842
	<u>13,377,069</u>	<u>18,215,656</u>

The following is an ageing analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 6 months	10,773,004	15,609,824
6 to 12 months	53,043	422,080
1 to 2 years	430,815	10,658
More than 2 years	34,032	34,252
	<u>11,290,894</u>	<u>16,076,814</u>

12. SHARE CAPITAL

	Number of shares		Share Capital	
	2020	2019	2020	2019
			US\$	US\$
Authorised:				
Ordinary shares of US\$0.01 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	2020	2019	2020	2019
			US\$	US\$
Issued and fully paid:				
Ordinary shares of US\$0.01 each	<u>8,878,352,349</u>	<u>8,570,852,349</u>	<u>88,783,523</u>	<u>85,708,523</u>
			Number of shares	Share Capital
				RMB'000
Issued and fully paid:				
At 1 January 2019			8,675,394,849	566,172
Shares repurchased and cancelled			<u>(104,542,500)</u>	<u>(7,082)</u>
At 31 December 2019 and 1 January 2020			8,570,852,349	559,090
Issue of shares upon share subscription (<i>note</i>)			<u>307,500,000</u>	<u>20,228</u>
At 31 December 2020			<u>8,878,352,349</u>	<u>579,318</u>

Note: On 2 December 2020, 307,500,000 ordinary shares of US\$0.01 each were issued and allotted at a price of HK\$6.3 per share, raising a total proceeds of approximately RMB1,617,654,000, net of share issue expense of approximately RMB26,433,000.

The Company does not have any share option scheme.

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

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

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2019: nil).

13. PARTIAL DISPOSAL OF A SUBSIDIARY RESULTING IN LOSS OF CONTROL

In November 2020, upon additional capital contribution being made by a non-controlling shareholder of Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd* (“Weiqiao Haiyi”) 山東魏橋海逸環保有限公司, the registered capital of Weiqiao Haiyi was increased from RMB10,000,000 to RMB20,000,000 and the Group’s equity interest in Weiqiao Haiyi was diluted from 60% to 30%. The transaction was accounted for as partial disposal of a subsidiary resulting in loss of control. The retained interest in Weiqiao Haiyi was accounted for as an associate as the Group can exercise significant influence over Weiqiao Haiyi. The partial disposal was completed on 3 December 2020. The fair value of the 30% retained interests in Weiqiao Haiyi, at the date on which control was lost were regarded as the cost in initial recognition of the Group’s interests in associates. The net assets of Weiqiao Haiyi at the date of disposal were as follows:

RMB’000

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	11,076
Right-of-use assets	10,392
Prepayments, deposits and other receivables	2,069
Cash and cash equivalents	261
Trade payables	(187)
Other payables	(19,954)
	<hr/>
Net assets disposed of	<u>3,657</u>

Gain on partial disposal of a subsidiary:

Fair values of 30% retained equity interest held by the Group - classified as interests in associates	6,000
Net assets disposed of	(3,657)
Non-controlling interests	(937)
	<hr/>
Gain on partial disposal of a subsidiary	<u>1,406</u>

Net cash outflow arising on disposal:

Cash and cash equivalents disposed of	<u>(261)</u>
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* *The English name of the above company is for reference only.*

14. EVENT AFTER THE REPORTING PERIOD

In January 2021, the Company issued a convertible bonds bearing interest at 5.25% per annum which will be due on 25 January 2026 with the aggregate principal amount of US\$300,000,000 (the “2026 CBs”) which are guaranteed by certain subsidiaries of the Group. The 2026 CBs are listed on Singapore Exchange Securities Trading Limited. Further details are set out in the announcements of the Company dated 8 January 2021 and 27 January 2021.

CHAIRMAN'S STATEMENT

On behalf of the Board of China Hongqiao, it is my pleasure to present the audited consolidated annual results for the year ended 31 December 2020.

In 2020, the global economic, financial and stock markets were strongly impacted by the COVID-19 pandemic (“Pandemic”). During the early stage of the outbreak, with the global stock market experienced a severe drop, the U.S Federal Reserve and the European Central Bank came to the rescue with quantitative easing, while the US and European governments implemented fiscal policies to stimulate the economy. According to the Global Economic Prospects report published by the Organisation for Economic Co-operation and Development (OECD), with global Gross Domestic Product (GDP) declining by 4.2% in 2020, the world economy will take a long time to recover to pre-pandemic levels.

During the Pandemic, the PRC government actively adopted measures to take the lead in controlling the Pandemic, resuming business and production, and achieving remarkable results in economic growth. In 2020, China's GDP increased by 2.3% over the previous year, and it was the only major economy in the world that achieved positive growth, becoming the main force driving the recovery of the global economy.

As for the industry, the uniqueness of the aluminum industry has spared aluminum production from being significantly impacted by the Pandemic. Recently, China's total primary aluminum production capacity has been controlled under the influence of supply-side reform. The trend of tight supply will be maintained in the short term, and the market expects that the increase in demand for aluminum products will drive a further rise in aluminum prices. Benefited from China's rapid prevention and control measures, the Pandemic's impact on the Group's overall operations during the Year was relatively small. However, due to emerging trade frictions, resource and environmental policies, adjustments to industrial structure and other factors, the Group's business and operations will still face some uncertainties.

During the Year, the Group managed to further strengthen the leadership in the aluminum industry by leveraging its core competitive advantages, its business model and proactive business development strategies. Domestically, the Group focused on the material strategy of “Three New (new infrastructure, new material and new applications) and One High (high value-added)”, accelerated the construction of aluminum lightweight material bases, and built a world-class full-process automotive lightweight R&D and manufacturing base and a world-class R&D center for lightweight aluminum materials in Shandong province. The Group also accelerated construction of the Yunnan green aluminum innovation industrial park. The project initiated partial production in September 2020, which will help the Group to further reduce production costs, enhance its core competitiveness, as well as effectively reduce its carbon emission and create a more eco-friendly production environment through more use of hydropower clean energy. Additionally, the Group further extended its international cooperation and improved the development of a circular economy by joining hands with Germany’s Scholz China GmbH to build the Sino-German Hongqiao Scholz Circular Economy Science & Technology Project, which focuses on secondary aluminum, scrapped vehicle and research and development of recycling technology, and practically contributes to the circular economy. As to overseas business, the bauxite mines projects in Guinea and the construction of phase 2 alumina project in Indonesia have been progressing smoothly.

During the Year under Review, the Group’s revenue amounted to approximately RMB86,144,641,000, representing a year-on-year increase of approximately 2.3%; gross profit amounted to approximately RMB19,355,188,000, representing a year-on-year increase of approximately 17.6%; net profit attributable to shareholders of the Company amounted to approximately RMB10,495,936,000, representing a year-on-year increase of approximately 72.2%; and basic earnings per share amounted to approximately RMB1.2210 (same period in 2019: approximately RMB0.7087). During the Year, the Board has approved the payment of an interim dividend of HK15 cents per share for the first time since the Company’s listing (same period in 2019: Nil). The Board recommended payment of a final dividend of HK50 cents per share for 2020 (same period in 2019: HK34 cents).

In accordance with its business models of “Integration of Aluminum and Electricity”, “Integration of Upstream and Downstream Businesses”, “Global Integration”, and “Green Smart Integration”, the Group continued to accelerate deployment of technological innovation, increase investment in scientific research, and make efforts towards green development and high quality development. During the Year, the Group focused on the development of lightweight materials and the circular economy of secondary aluminum, and joined hands with a number of domestic and overseas partners to extend the downstream of the aluminum industrial chain. At the same time, the Group increased its investment in technological innovation, and cooperated with national research institutions to further increase the technological content of the aluminum industry. The Group received a number of industry and international recognition during the Year. Shandong Hongqiao New Material Co., Ltd. (“Shandong Hongqiao”), a wholly-owned subsidiary of the Company, was awarded as the only energy efficiency leader in the primary aluminum industry by the Ministry of Industry and Information Technology for three consecutive years.

During the Year under Review, the Group further optimised its financial structure through diversified financing, thereby stabilising its sustainable development. To strengthen investor confidence and stabilise the Group's bond prices, Shandong Hongqiao used its own funds to repurchase its issued bonds at the full price in advance during the Year, with the total repurchase amount of approximately RMB2.4 billion.

In the prospect of 2021, the Group believes that the construction industry as well as high-end manufacturing industries such as automobile and aviation will maintain a stable growth due to the development of the economy in China. With energy savings, reduced emissions and low carbon footprints being strongly advocated by the society, aluminum for rail transit and lightweight aluminum for motor vehicles are expected to become key consumption growth for the aluminum processing industry. It is expected that as demand for aluminum in these important fields will continue to maintain growth, the total demand for aluminum will also grow steadily at the same time. The Group has sufficient confidence in the industry's future development. However, as the Pandemic is not yet completely over, there are uncertainties in the world economic development and there will still be certain challenges and opportunities ahead for the aluminum industry.

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 2020, and to our shareholders, investors and business partners for their support and trust.

Mr. Zhang Bo

Chairman of the Board

5 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Looking back on the global economic environment in 2020, the uncertainty of world economic growth has increased, due to the adverse effects of the Pandemic, thus the world economy will take a long time to recover to pre-pandemic levels. During the Year, domestic and foreign aluminum prices remained stable in general, showing a trend of internal strength and external weakness. In 2020, the average price of three-month aluminum futures at the London Metal Exchange (LME) was approximately US\$1,732/ton, representing a decrease of approximately 4.5% compared with the same period of the previous year. In 2020, the average price of three-month aluminum futures at the Shanghai Futures Exchange (SHFE) was approximately RMB13,762/ton (including value-added tax), representing a decrease of approximately 0.8% compared with the same period last year. (Data source: Beijing Antaike Information Co., Ltd. (“Antaike”)).

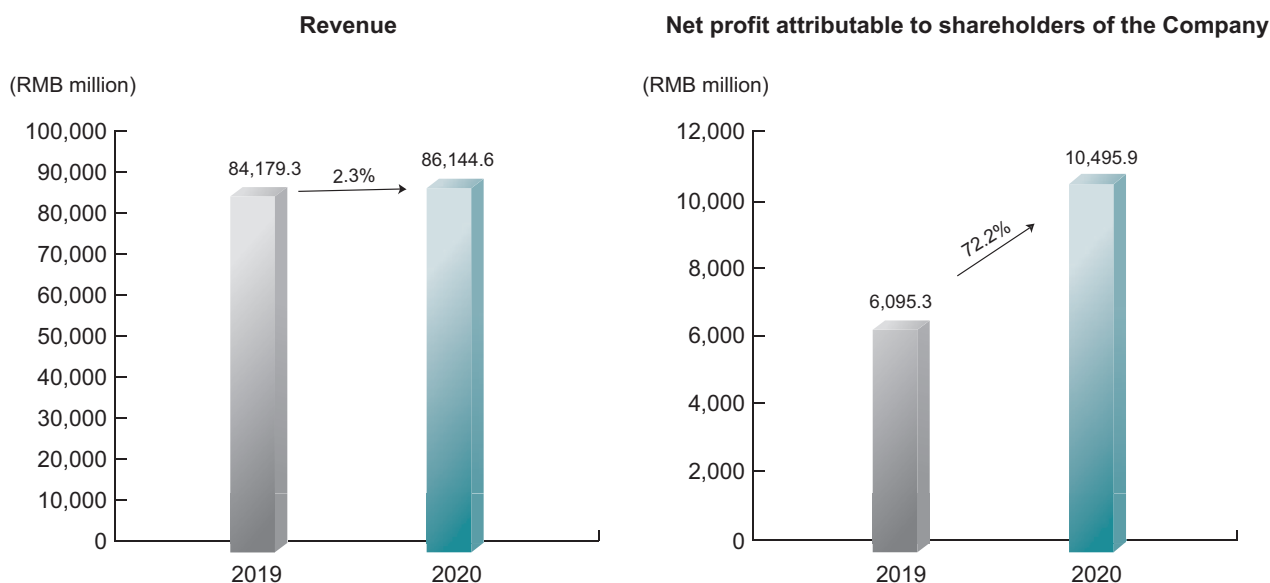
During the Year under Review, overseas demand for primary aluminum was adversely affected by the Pandemic, and despite the fact that the supply remained stable, demand decreased sharply. On the contrary, domestic demand was strong under the rapid promotion of resumption of business and production, driving the industry to continue de-stocking, resulting in shortage of supply. Domestically, under the influence of supply-side reform in recent years, the total production capacity of the primary aluminum in China is under control, and the momentum of substantial growth in output is suppressed. However, with the development of China’s economy and the effect of the new development pattern of internal and external “dual circulation”, the consumption has been improving significantly, and the demand for aluminum in the fields of construction, rail transportation, automobile and aviation has been increasing year by year. During the Year, despite the overall average prices of aluminum futures in domestic and overseas markets have decreased compared with the same period last year, however, in terms of spot prices, the surge of aluminum prices in China led to a rebound in overseas aluminum prices, and the price of aluminum at the SHFE increased more than that at the LME. The spot closing price at the LME rose from a lowest of approximately US\$1,422/ton in April to a highest of approximately US\$2,052/ton in December, representing an increase of approximately 44.3%. The closing price of SHFE contracts for the month rose from a lowest of approximately RMB11,310/ton (including value-added tax) in March to a highest of approximately RMB17,000/ton (including value-added tax) in December, representing an increase of approximately 50.3%. (Source: Antaike)

According to statistics from Antaike, the global production volume of primary aluminum in 2020 was approximately 65.32 million tons, representing a year-on-year increase of approximately 2.1%. Global consumption of primary aluminum in 2020 was approximately 63.47 million tons, representing a year-on-year decrease of approximately 2.8%. For the domestic market, the production volume of primary aluminum in China during 2020 was approximately 37.30 million tons, representing a year-on-year increase of approximately 3.8% and accounting for approximately 57.1% of global production volume. Consumption of primary aluminum in China during 2020 was approximately 38.35 million tons, representing a year-on-year increase of approximately 4.7% and accounting for approximately 60.4% of global primary aluminum consumption. (Source: Antaike)

BUSINESS REVIEW

During the Year under Review, the Group's total output of aluminum alloy products and aluminum fabrication products were approximately 5.622 million tons and 0.622 million tons respectively, basically maintained at the similar level as last year.

The Group's revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2020 and 2019 are as follows:



For the year ended 31 December 2020, the Group's revenue was approximately RMB86,144,641,000, representing a year-on-year increase of approximately 2.3%, mainly due to the increase in the average sales price of aluminum alloy products of the Group during the Year compared with the same period last year, resulting in an increase in revenue from aluminum alloy products; and the increase in sales volume of alumina products, resulting in an increase in revenue from alumina products.

During the Year, the Group's sales volume of aluminium alloy products was approximately 5.060 million tons, maintained at similar level as the same period last year. The average sales price of aluminium alloy products increased by approximately 2.2% to RMB12,501/ton (excluding value-added tax) compared with the same period last year. The Group's sales volume of aluminium fabrication products was 0.601 million tons, representing a decrease of approximately 3.6% compared with the same period last year. The Group's sales volume of alumina products was approximately 6.734 million tons, representing a year-on-year increase of approximately 27.6%. The increase in sales volume of alumina products was mainly because the Group actively seized the opportunities to develop the domestic alumina product market under the premise of satisfying self-consumption alumina, resulting in the increase in sales volume of alumina products.

For the year ended 31 December 2020, net profit attributable to shareholders of the Company amounted to approximately RMB10,495,936,000, representing a year-on-year increase of approximately 72.2%, mainly attributable to (i) an increase in the average sales price of aluminum products during the Year compared to the corresponding period of last year and a decrease in production costs, resulting in an increase in the Group's gross profit; (ii) a decrease in the Group's impairment losses during the Year; and (iii) a decrease in the Group's finance cost and increase in the Group's exchange gains during the Year.

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 2020 and 2019 respectively.

Products	For the year ended 31 December							
	2020				2019			
	Revenue	Gross profit	Gross profit	Percentage	Revenue	Gross profit	Gross profit	Percentage
	<i>RMB'000</i>	<i>RMB'000</i>	%	%	<i>RMB'000</i>	<i>RMB'000</i>	%	%
Aluminum alloy products	63,257,199	15,185,974	24.0	73.4	61,891,049	11,813,930	19.1	73.5
Alumina	13,486,945	2,209,688	16.4	15.7	12,521,125	2,707,805	21.6	14.9
Aluminum fabrication products	8,781,080	1,934,799	22.0	10.2	9,104,598	1,938,363	21.3	10.8
Steam	619,417	24,727	4.0	0.7	662,516	4,155	0.6	0.8
Total	<u>86,144,641</u>	<u>19,355,188</u>	<u>22.5</u>	<u>100.0</u>	<u>84,179,288</u>	<u>16,464,253</u>	<u>19.6</u>	<u>100.0</u>

For the year ended 31 December 2020, the Group's revenue derived from aluminum alloy products was approximately RMB63,257,199,000, accounting for approximately 73.4% of the revenue of the Group; the revenue of alumina products was approximately RMB13,486,945,000, accounting for approximately 15.7% of the revenue of the Group. The revenue derived from aluminum fabrication products amounted to approximately RMB8,781,080,000, accounting for approximately 10.2% of the total revenue of the Group. The Group's proportion of revenue by product category for the year ended 31 December 2020 has no significant change as compared with the same period last year.

For the year ended 31 December 2020, the Group's overall gross profit margin of the products was approximately 22.5%, which increased by approximately 2.9 percentage points as compared with approximately 19.6% for the corresponding period of last year. Gross profit margin of aluminum alloy products increased, which was mainly due to the increase in average sales price of aluminium alloy products and the decrease in the Group's average purchase price of raw materials such as alumina, bauxite and carbon anode blocks during the Year, which led to the decrease in the cost of aluminum alloy products of the Group. Affected by the drop in the alumina market prices, the Group's gross profit margin for alumina products decreased compared to the same period last year. The gross profit margin for aluminum fabrication products increased slightly 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 2020, the Group's distribution and selling expenses were approximately RMB399,894,000, representing a decrease of approximately 10.9% as compared with approximately RMB449,041,000 for the corresponding period of last year, which was mainly due to the increase in the proportion of self-pickup alumina products in the sales contracts of alumina products signed by the Group during the Year, resulting in a corresponding decrease in the transportation costs.

Administrative expenses

For the year ended 31 December 2020, the administrative expenses of the Group amounted to approximately RMB4,052,174,000, representing an increase of approximately 11.1% as compared with approximately RMB3,645,691,000 for the corresponding period of last year, which was mainly due to the increase in the maintenance expenses as a result of the Group's arrangement of centralized maintenance for some production lines during the Year.

Finance costs

For the year ended 31 December 2020, the finance costs of the Group were approximately RMB4,506,236,000, representing a decrease of approximately 13.7% as compared with approximately RMB5,219,595,000 for the corresponding period of last year, which was mainly due to the decrease of weighted total amount of debt of the Group during the Year as compared with the same period last year, and the decrease in the average interest cost of the Group's debts as compared to the same period last year.

Liquidity and capital resources

As at 31 December 2020, the cash and cash equivalents of the Group were approximately RMB45,465,361,000, representing an increase of approximately 8.6% as compared with approximately RMB41,857,116,000 of the cash and cash equivalents as at 31 December 2019. The increase in cash and cash equivalents was mainly due to the net cash inflow from operating activities of the Group.

For the year ended 31 December 2020, the Group's net cash inflow from operating activities was approximately RMB17,779,077,000, net cash outflow for investing activities was approximately RMB6,973,978,000, and net cash outflow for financing activities was approximately RMB7,149,793,000. The net cash outflow for investing activities was mainly attributable to the cash outflow for acquiring property, plant and equipment. The net cash outflow for financing activities was mainly attributable to the cash outflow for the repayment of part of the debts, the dividend payout, and the payment of debt interest by the Group during the Year.

For the year ended 31 December 2020, the capital expenditure of the Group amounted to approximately RMB5,267,678,000, mainly for the payment for the quality guarantee deposits of the pre-construction projects in accordance with the relevant contracts, the construction expenditure of Yunnan green aluminum innovation industrial park project, lightweight material base and the Indonesia alumina project.

As at 31 December 2020, the Group had capital commitment of approximately RMB2,205,218,000, representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the payment for the construction expenditure of Yunnan green aluminum innovation industrial park project, lightweight material base and the Indonesia alumina project.

As at 31 December 2020, the Group's trade receivables amounted to approximately RMB10,335,568,000, which was basically the same as that of approximately RMB10,311,326,000 as at 31 December 2019.

As at 31 December 2020, the Group's inventory was approximately RMB19,717,811,000, representing a decrease of approximately 9.7% from approximately RMB21,846,922,000 as of 31 December 2019, which was mainly due to the decrease in the raw material purchase price of the Group during the Year.

Contingent liability

As at 31 December 2020 and 2019, the Group has no significant contingent liability.

Income tax

The Group's income tax for 2020 amounted to approximately RMB2,259,599,000, representing a decrease of approximately 2.4% as compared to approximately RMB2,315,924,000 for the corresponding period of last year, which was mainly attributable to the compensation for the previously compensable losses of certain subsidiaries of the Company and the provision for deferred income tax assets during the Year.

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

Net profit attributable to shareholders of the Company was approximately RMB10,495,936,000 for the year ended 31 December 2020, representing an increase of approximately 72.2% as compared to approximately RMB6,095,335,000 for the corresponding period of last year.

Basic earnings per share of the Company in 2020 were approximately RMB1.2210 (2019: approximately RMB0.7087).

Capital structure

The Group has established an appropriate liquidity risk management framework to ensure its short, medium and long-term funding supply and to meet its liquidity, in order requirements. As at 31 December 2020, the cash and cash equivalents of the Group amounted to approximately RMB45,465,361,000 (31 December 2019: approximately RMB41,857,116,000), which were mainly saved 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, so as to satisfy the business needs and maintain a sound and steady financial position.

As at 31 December 2020, the total liabilities of the Group amounted to approximately RMB104,729,330,000 (31 December 2019: approximately RMB113,588,469,000). Gearing ratio (total liabilities to total assets) was approximately 57.7% (31 December 2019: approximately 63.2%), which was further optimized.

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 2020, the Group had secured bank borrowings of approximately RMB8,453,755,000 (31 December 2019: approximately RMB8,748,738,000).

As at 31 December 2020, the Group's total bank borrowings were approximately RMB34,260,898,000. 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 2020, approximately 12.7% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 87.3% 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 2020, debts except bank borrowings of the Group include approximately RMB36,120,076,000 of medium-term notes and bonds, approximately RMB3,242,270,000 of guaranteed notes and approximately RMB1,766,050,000 of convertible bonds, the interest rates of which ranged from 3.84% to 8.69% per annum. Aforesaid notes and bonds help to optimise the Group's debt structure and reduce its financial costs.

As at 31 December 2020, the Group had net current assets of approximately RMB24,082,261,000. The Group will continue to diversify its financing channels and optimize its debt structure. In addition, the Group will sustain its existing production capacity advantages, 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 2020, the Group's liabilities were mainly denominated in RMB and US Dollars, among which, RMB liabilities accounted for approximately 87.4% of the total liabilities, and US Dollars liabilities accounted for approximately 12.6% 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 2.3% was held in US Dollars.

Employee and remuneration policy

As at 31 December 2020, the Group had a total number of 42,445 employees, representing a decrease of 1,289 employees as compared with 31 December 2019, which was mainly attributable to the normal employee mobility. During the Year, the total staff costs of the Group amounted to approximately RMB3,369,031,000, representing approximately 3.9% 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 2020, the Group's bank balances denominated in foreign currencies were approximately RMB1,258,609,000, and liabilities denominated in foreign currencies were approximately RMB9,481,240,000. For the year ended 31 December 2020, the foreign exchange gain of the Group was approximately RMB 320,832,000 (2019: exchange loss approximately RMB178,459,000).

FUTURE PROSPECT

In the prospect of 2021, the Group believes that the construction industry as well as high-end manufacturing industries such as automobile and aviation will maintain a stable growth due to the development of the a economy in China. With energy savings, reduced emissions and low carbon footprints being strongly advocated by the society, aluminum for rail transit and lightweight aluminum for motor vehicles are expected to become key consumption growth for the aluminum processing industry. It is expected that as demand for aluminum in these important fields will continue to maintain the growth in the short term, therefore, the overall domestic demand for aluminum will also grow steadily at the same time. The Group has sufficient confidence in the industry's future development. However, as the Pandemic is not yet completely over, there are uncertainties in the world economic development and there will still be certain challenges and opportunities ahead for the aluminum industry.

In the future, the Group will continue to manage its existing assets properly, focus on the development of lightweight material and accelerate its extension to the high-end of the industry. At the same time, the Group will continue to fulfill its role as a leader, improve its industrial and supply chains whilst participating in the international division of labour and accelerating international cooperation in production capacity. As always, the Group will strive to maximise shareholders' interests to reward their long-term support.

EVENTS AFTER THE REPORTING PERIOD

Issue of US\$300,000,000 5.25% convertible bonds due 2026

On 7 January 2021 (after trading hours), the Company and the subsidiary guarantors entered into the CB subscription agreement with the joint lead managers, pursuant to which the Company has agreed to issue and the joint lead managers have agreed, severally and not jointly, on a best efforts basis, to subscribe and pay for, or to procure subscriptions and payment for the US\$300,000,000 5.25% convertible bonds due 2026, with an initial conversion price (subject to adjustment) of HK\$8.91. The issue of the convertible bonds was completed on 25 January 2021. The convertible bonds were listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 26 January 2021. The net proceeds of the issue of the convertible bonds were approximately US\$294,000,000, which were or will be used as follows:

50% were used for general corporate purposes. To guarantee the smooth operation and to reduce the financing cost of the Company, the Company used approximately 50% of the net proceeds to replenish the general working capital of the Group (including, among others, procurement of raw materials, research and development expenditure and taxation).

30% were used for refinancing certain existing indebtedness. In order to optimize the debt structure of the Group, the Company used approximately 30% of the net proceeds to repay the Group’s debt due before March 2021.

20% will be used for capital expenditure. In order to increase the proportion of clean energy, the Company will use 20% of the net proceeds for construction of Yunnan green aluminum innovation industrial park project of the Group. As of the date of this announcement, approximately 7% of the net proceeds have been used, and the remaining 13% of the net proceeds are expected to be used up before the end of 2021.

Relevant details are set out in the announcements of the Company dated 8 January 2021 and 27 January 2021.

Save as disclosed above, subsequent to 31 December 2020, as of the date of this announcement, no any other important event affecting the Group has occurred.

SUPPLEMENTARY INFORMATION

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 of Hong Kong Limited (the “Stock Exchange”) and as permitted under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Year and up to the date of this announcement.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (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.

THE BOARD

As of the date of this announcement, the Board comprised three executive Directors, four non-executive Directors and four 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. LI Zimin (Mr. ZHANG Hao as his alternate)⁽¹⁾

Ms. SUN Dongdong⁽²⁾

Independent Non-executive Directors

Mr. WEN Xianjun⁽³⁾

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.

Notes:

(1) On 27 January 2021, Mr. Chen Yisong resigned as a non-executive Director and Mr. Zhang Hao ceased to act as an alternate Director to Mr. Chen Yisong. On 27 January 2021, Mr. Li Zimin was appointed as a non-executive Director and Mr. Zhang Hao was appointed as an alternate Director to Mr. Li Zimin.

(2) Ms. Sun Dongdong was appointed as a non-executive Director on 5 March 2021.

(3) Mr. Wen Xianjun was appointed as an independent non-executive Director on 5 March 2021.

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 forthcoming annual general meeting of the Company 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.

EMOLUMENTS OF DIRECTORS

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.

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 2020.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“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 to be recorded in the register required to be kept by the Company under section 352 of the SFO; 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 Appendix 10 to the Listing Rules, were as follows:

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 2020 (%)
Mr. ZHANG Bo	Beneficial owner	8,870,000(L)	0.10

Save as disclosed above, as at 31 December 2020, there was no any 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 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 to be recorded in the register required to be kept by the Company under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, 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 provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

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 2020 (%)
Shipping Prosperity Private Trust Company ⁽¹⁾	Trustee	6,076,513,573 (L)	68.44
China Hongqiao Holdings Limited ⁽¹⁾	Beneficial owner	6,076,513,573 (L)	68.44
CTI Capital Management Limited ⁽²⁾	Beneficial owner	806,640,670 (L)	9.09
CNCB (Hong Kong) Investment Limited ⁽²⁾	Beneficial owner	70,544,156 (L)	0.79
CITIC Limited ⁽²⁾	Interest of a controlled corporation	877,184,826 (L)	9.88
CITIC Group Corporation ⁽²⁾	Interest of a controlled corporation	877,184,826 (L)	9.88

Notes:

- (1) Shipping 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 82.26% interest in CITIC Trust Co., Ltd. and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 17.74% 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 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 2020, 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 any 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 recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2020 and up to the date of this announcement, 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.

FINAL DIVIDEND

The Board proposed the payment of a final dividend of HK50 cents per share for the year ended 31 December 2020 (the "2020 Final Dividend"). The 2020 Final Dividend, subject to the approval of the shareholders at the annual general meeting of the Company (the "2020 Annual General Meeting") which will be held on 6 May 2021, will be paid on or before 25 June 2021 to the shareholders whose names appear on the register of members of the Company on 11 June 2021.

The payment of 2020 Final Dividend of HK50 cents per share was proposed, together with the 2020 interim dividend of HK15 cents per share, the total 2020 dividend is HK65 cents per share, representing an increase of approximately 91.2% as compared with the 2019 dividend of HK34 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Friday, 30 April 2021 to Thursday, 6 May 2021 (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 Thursday, 6 May 2021 are entitled to attend and vote at the forthcoming 2020 Annual General Meeting. In order to be entitled to attend the 2020 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 Thursday, 29 April 2021. 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, 7 June 2021 to Friday, 11 June 2021 (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, 11 June 2021 are entitled to the 2020 Final Dividend. In order to qualify for the 2020 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, 4 June 2021. 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.

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") in compliance with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules 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 5 March 2021 to review the annual results and the consolidated financial statements of the Group for the year ended 31 December 2020. The Audit Committee considered that the financial results of the Group for the year ended 31 December 2020 were in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020 and up to the date of this announcement.

SENIOR NOTES

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 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 net 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.

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 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 net 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.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

In order to raise further capital and broaden the Company's shareholder and capital base, on 25 November 2020, the Company, China Hongqiao Holdings Limited ("Hongqiao Holdings"), the controlling shareholder of the Company, and the placing agents entered into the placing and subscription agreement. Pursuant to the placing and subscription agreement, the placing agents agreed to place 307,500,000 shares of the Company held by Hongqiao Holdings to independent placees at the placing price of HK\$6.30 per share, and Hongqiao Holdings agreed to subscribe for and the Company agreed to allot and issue 307,500,000 new shares of the Company to Hongqiao Holdings at the subscription price of HK\$6.30 per share. The placing and the subscription were completed on 27 November 2020 and 2 December 2020 respectively. Relevant details are set out in the announcements of the Company dated 25 November 2020 and 2 December 2020.

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%.

The bonds matured on 3 March 2021 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 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) The domestic corporate bonds of RMB3,000,000,000 non-publicly issued by Shandong Hongqiao on 2 June 2016 were due and settled on 2 June 2019.
- (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%.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Shandong Hongqiao passed a resolution in relation to the repurchase of the bonds (at 50% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 16 November 2020. During the bond repurchase registration period from 8 December 2020 to 10 December 2020, the principal registered for repurchase by bond holders was RMB935,737,000. On 23 December 2020, Shandong Hongqiao completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB1,064,213,000, and the coupon rate is still 7.30%.

The bonds matured on 14 January 2021. 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 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.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Shandong Hongqiao passed a resolution in relation to the repurchase of the bonds (at 50% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 16 November 2020. During the bond repurchase registration period from 8 December 2020 to 10 December 2020, the principal registered for repurchase by bond holders was RMB478,044,000. On 23 December 2020, Shandong Hongqiao completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB521,956,000, and the coupon rate is still 4.88%.

The bonds matured on 14 January 2021. Shandong Hongqiao has redeemed the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.

- (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%.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Shandong Hongqiao passed a resolution in relation to the repurchase of the bonds (at 50% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 16 November 2020. During the bond repurchase registration period from 8 December 2020 to 10 December 2020, the principal registered for repurchase by bond holders was RMB846,305,000. On 23 December 2020, Shandong Hongqiao completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB953,695,000, and the coupon rate is still 7.00%.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Shandong Hongqiao passed a resolution in relation to the repurchase of the bonds (at 100% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 11 December 2020. During the bond repurchase registration period from 6 January 2021 to 8 January 2021, the principal registered for repurchase by bond holders was RMB697,010,000. On 20 January 2021, Shandong Hongqiao completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB256,685,000, and the coupon rate is still 7.00%.

The bonds matured on 27 January 2021. Shandong Hongqiao has redeemed the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.

- (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%.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Shandong Hongqiao passed a resolution in relation to the repurchase of the bonds (at 100% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 11 December 2020. During the bond repurchase registration period from 6 January 2021 to 8 January 2021, the principal registered for repurchase by bond holders was RMB1,031,557,000. On 20 January 2021, Shandong Hongqiao completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB166,683,000, and the coupon rate is still 6.70%.

The bonds matured on 24 February 2021. Shandong Hongqiao has redeemed the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.

CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER

- (1) On 8 October 2015, the Company's subsidiary, Shandong Weiqiao Aluminum & Power Co., Ltd. ("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%.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Weiqiao Aluminum & Power passed a resolution in relation to the repurchase of the bonds (at 50% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 13 January 2021. During the bond repurchase registration period from 1 February 2021 to 3 February 2021, the principal registered for repurchase by bond holders was RMB1,646,833,400. On 24 February 2021, Weiqiao Aluminum & Power completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB1,853,166,600, and the coupon rate is still 6.50%.

The bonds will mature on 10 March 2021. Weiqiao Aluminum & Power will redeem the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.

- (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.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Weiqiao Aluminum & Power passed a resolution in relation to the repurchase of the bonds (at 50% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 13 January 2021. During the bond repurchase registration period from 1 February 2021 to 3 February 2021, the principal registered for repurchase by bond holders was RMB238,900,700. On 24 February 2021, Weiqiao Aluminum & Power completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB261,099,300, and the coupon rate is still 4.83%.

The bonds will mature on 10 March 2021. Weiqiao Aluminum & Power will redeem the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.

- (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%.

To strengthen investors' confidence and maintain the stability of corporate bond prices, the board of directors of Weiqiao Aluminum & Power passed a resolution in relation to the repurchase of the bonds (at 50% of the remaining principal amount of the bonds, the repurchase price is the par value plus accrued interest) on 13 January 2021. During the bond repurchase registration period from 1 February 2021 to 3 February 2021, the principal registered for repurchase by bond holders was RMB944,674,100. On 24 February 2021, Weiqiao Aluminum & Power completed the repurchase. After the completion of the repurchase, the remaining amount of the bonds is RMB1,055,325,900, and the coupon rate is still 6.30%.

The bonds will mature on 22 March 2021. Weiqiao Aluminum & Power will redeem the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.

- (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 utilised 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.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2019, the conversion price per share was adjusted from HK\$7.21 to HK\$6.51 effective from 15 June 2020. Please refer to the announcement of the Company dated 15 June 2020 for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the interim dividend for the year of 2020, the conversion price per share was adjusted from HK\$6.51 to HK\$6.31 effective from 16 November 2020. Please refer to the announcement of the Company dated 16 November 2020 for details.

Pursuant to the terms and conditions of the convertible bonds, as a result of the completion of the placing and the subscription of the Company on 27 November 2020 and 2 December 2020 respectively, the conversion price per share was adjusted from HK\$6.31 to HK\$6.29 effective from 2 December 2020. Please refer to the announcement of the Company dated 2 December 2020 for details.

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.

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 2020 and up to the date of this announcement.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles as set out in the CG Code. For the year ended 31 December 2020, the Company has complied with the code provisions as set out in the CG Code, except for the following deviation:

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 as set out in the CG Code by the Company for the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongqiaochina.com. The annual report will be dispatched to shareholders on or before 7 April 2021 and will be available on the Company's website and the website of the Stock Exchange at the same time.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude to our Board members and management team, and to all the employees, business partners, customers and shareholders of the Group.

By order of the Board
China Hongqiao Group Limited
Mr. Zhang Bo
Chairman

Shandong, the People's Republic of China
5 March 2021

As at the date of this announcement, the Board comprises eleven Directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang and Ms. Zhang Ruilian as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Li Zimin (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as non-executive Directors, and Mr. Wen Xianjun, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive Directors.