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

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

ANNUAL REPORT 2021

Contents

Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2017 note 1 (restated)	2018	2019	2020	**2021**
Revenue	97,941,916	90,194,924	84,179,288	86,144,641	**114,490,941**
Gross profit	16,380,242	15,400,562	16,464,253	19,355,188	**30,453,096**
Gross profit margin (%)	16.7	17.1	19.6	22.5	**26.6**
Profit before tax	7,116,690	8,335,692	8,771,067	12,704,350	**22,553,934**
Net profit attributable to owners of the Company	5,130,064	5,407,422	6,095,335	10,495,936	**16,073,342**
Net profit margin (%)	5.4	6.4	7.7	12.1	**14.7**
Basic earnings per share (RMB)	0.6986	0.6218	0.7087	1.2210	**1.7720**

Assets and liabilities

	As at 31 December (RMB'000)				
	2017 note 1 (restated)	2018	2019	2020	**2021**
Total assets	158,684,987	176,726,892	179,604,445	181,531,000	**188,420,922**
Equity	53,737,567	62,619,497	66,015,976	76,801,670	**92,438,829**
Total liabilities	104,947,420	114,107,395	113,588,469	104,729,330	**95,982,093**
Return on equity note 2 (%)	10.7	9.9	10.0	14.6	**19.9**
Current ratio (%)	119	156	143	133	**164**
Accounts receivable turnover (days)	5	18	37	44	**28**
Inventory turnover (days)	73	86	112	114	**92**
Accounts payable turnover (days)	48	70	83	75	**60**

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

Note 2: Calculated based on average equity.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Bo *(Chairman, Chief Executive Officer, Authorised Representative)*
Ms. Zheng Shuliang *(Vice Chairman)*
Ms. Zhang Ruilian *(Vice President, Chief Financial Officer)*
Ms. Wong Yuting *(Head of Investor Relations Department and Head of Corporate Finance Department)*

NON-EXECUTIVE DIRECTORS

Mr. Yang Congsen
Mr. Zhang Jinglei
Mr. Li Zimin *(Mr. Zhang Hao as his alternate)*
Ms. Sun Dongdong

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CHIEF FINANCIAL OFFICER

Ms. Zhang Ruilian

COMPANY SECRETARY

Ms. Zhang Yuexia

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Zhang Bo
Ms. Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

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The Center
99th Queen's Road Central
Central
Hong Kong

HEAD OFFICE IN THE PRC

Huixian One Road
Zouping Economic Development District
Zouping City
Shandong Province
the PRC

CAYMAN ISLANDS REGISTERED OFFICE

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
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Hong Kong

Corporate Information

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INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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COMPANY WEBSITE

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STOCK CODE

1378.HK

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 31 DECEMBER 2021

9,121,352,349

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
18 March 2022

DATE OF ANNUAL GENERAL MEETING

18 May 2022

EXPECTED DATE OF DIVIDEND PAYMENT

17 June 2022

Chairman's Statement

It is my pleasure to present on behalf of the board (the "Board") of directors (the "Directors") of China Hongqiao Group Limited (the "Company" or "China Hongqiao") the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 (the "Year" or the "Year under Review").

In 2021, with the global large-scale vaccination against the COVID-19 virus and increased fiscal stimulus policies by countries around the world, the global economic upturn trend became more evident. However, there are still many challenges to achieve a sustainable recovery. During the Year, China's economy maintained a good development momentum, with the national economy continuing to recover and economic performance was operating in a stable manner as a whole. According to the statistics published by the National Bureau of Statistics of China, in 2021, the national Gross Domestic Product (GDP) in China was approximately RMB114.4 trillion, representing year-on-year growth of approximately 8.1%. China achieved one of the highest economic growth rates among the world's major economies.

During the Year under Review, as the global economy continued to recover, the new energy vehicles, infrastructure, residential consumption and electronic power sectors grew steadily, further boosting the consumption of aluminum products. On the supply side, the factors such as dual control on energy consumption, tight power supply and capacity ceilings in China led to a shortage of aluminum products. The production side was affected by the increase in the prices of various production factors such as coal, which increased production costs, resulting in rising sales prices for aluminum products which remained at a high level. In addition, the urgent demand for lightweight in various industries has led to an increase in the scale of scientific research and investment. The range of aluminum applications is correspondingly expanding, and the aluminum industry chain is also continuously extending. Aluminum applications have maintained a good development momentum, which is beneficial to the medium and long-term development of the aluminum industry.

During the Year under Review, the Group's revenue was approximately RMB114,490,941,000, representing an increase of approximately 32.9% year-on-year; gross profit was approximately RMB30,453,096,000, representing an increase of approximately 57.3% year-on-year; net profit attributable to shareholders of the Company was approximately RMB16,073,342,000, representing an increase of approximately 53.1% year-on-year; and basic earnings per share was approximately RMB1.7720 (the same period in 2020: approximately RMB1.2210). The Board recommends the payment of a final dividend of HK60 cents per share for the year 2021 (the same period in 2020: HK50 cents).

The year 2021 was not only the start of China's "14th Five-Year" plan, but also a year in which the Group accelerated the transformation of old and new dynamics and achieved a comprehensive quality development. During the Year, under the complex and volatile domestic and international market situation, sticking to its original aspiration and keeping in mind its mission, the Group maintained its steady and high-quality development momentum by leveraging its solid core competitiveness and adopting effective business strategies, demonstrating to the community its all-round achievements in innovation, technology, green transformation and corporate responsibility.

During the Year, in respect of domestic business, the construction of the Group's lightweight base, built with the strategy of "Three New and One High" materials, have been completed and put into production. The construction of the Sino-German Hongshun Circular Technology Industrial Park project was accelerated to complete the installation of the first aluminum recycling production line by the end of 2021. Meanwhile, according to the changes of national and local policies and the situation of power supply, the Group promoted the construction of Yunnan Green Aluminum Innovation Park in a steady and orderly manner. In respect of overseas business, the bauxite project in Guinea continued to progress and the second phase of the alumina project in Indonesia have been put into production by the end of 2021.

The Group continued to accelerate the layout of scientific and technological innovation as well as increase investment in scientific research, making efforts towards green development and high-quality development. During the Year, the Group focused on the development of lightweight materials and recycled aluminum in a circular economy, and joined hands with a number of domestic and foreign partners to actively extend downstream of the aluminum production chain. At the same time, the Group also increased its investment in technological innovation and liaised with national research institutes to further enhance the technological content of aluminum products. In addition, during the Year, the Group received a number of industry and international recognition awards based on its core competitiveness. Shandong Weiqiao Aluminum & Power Co., Ltd. 山東魏橋鋁電有限公司 ("Weiqiao Aluminum"), a subsidiary of the Company, successfully passed the National Standards Committee's acceptance of its "Demonstration Creation of Energy Saving in Electrolytic Aluminum Production" project. Shandong Hongqiao New Material Co., Ltd. 山東宏橋新型材料有限公司 ("Shandong Hongqiao"), a subsidiary of the Company, was awarded the first batch of provincial-level green factories and was included in the list of national-level green factories. The Republic of Indonesia ("Indonesia") alumina project also won the "ASEAN Coal Award 2021 for Industry Application of Clean Coal Technology in the Medium Industrial Category" from the ASEAN Centre for Energy.

In terms of optimising the financial structure, on the one hand, the Group further reduced its interest-bearing liabilities and lowered its gearing ratio, with the gearing ratio decreasing to approximately 50.9% from approximately 57.7% in the same period last year; on the other hand, the Group consolidated its capital security through measures such as a combination of equity and debt, domestic and overseas financing and maturity mismatching of bonds. During the Year under Review, the Company successfully raised HK$2,324,000,000 by top-up placement, issued three-year US$500,000,000 senior unsecured notes with an interest rate of 6.25% per annum and five-year US$300,000,000 convertible bonds with an interest rate of 5.25% per annum. At the same time, Shandong Hongqiao successfully completed the issuance of RMB2,000,000,000 corporate bonds and RMB1,500,000,000 short-term financing bonds during the Year. The aforementioned financing tasks were oversubscribed by both domestic and overseas investors, fully demonstrating the positive recognition of the Group in the capital market.

Looking ahead, the Group believes that the positive trend of China's economy will further boost the demand for aluminum in industries including the infrastructure industry and high-end manufacturing industry. In particular, consumption of aluminum products and application areas will gradually increase driven by the wave of lightweight and new energy, which will drive steady and sustainable growth for the aluminum industry in China. Therefore, the Group remains fully confident in the future development of the aluminum industry. However, due to the global epidemic, geopolitical uncertainties and volatility of the capital markets, there are still many unknowns in overseas primary aluminum supply and demand, which in turn has an impact on the trend of aluminum prices both domestically and internationally. Thus the aluminum industry will continue to face both opportunities and challenges.

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 2021, and to our shareholders, investors and business partners for their support and trust.

Zhang Bo
Chairman of the Board

18 March 2022

Management Discussion and Analysis

INDUSTRY REVIEW

During the Year, the sales prices of aluminum products continued to rise and remained at a high level, and the overall aluminum industry also maintained a high level of prosperity. During the Year, the average price of three-month aluminum futures at the London Metal Exchange (LME) was approximately US$2,486/tonne, representing an increase of approximately 43.6% compared with the same period last year. The average price of three-month aluminum futures at the Shanghai Futures Exchange (SHFE) was approximately RMB18,898/tonne (including value-added tax), representing an increase of approximately 37.3% compared with the same period last year. (Data source: Beijing Antaike Information Co., Ltd. ("Antaike")).

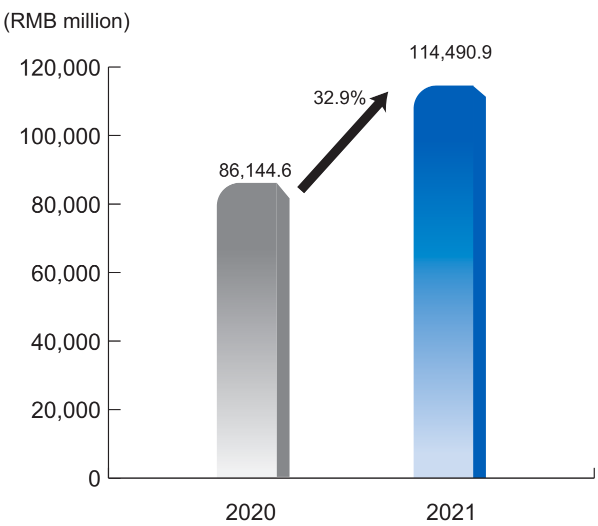
According to statistics from Antaike, the global production volume of primary aluminum in 2021 was approximately 67.60 million tonnes, representing a year-on-year increase of approximately 3.5%. Global consumption of primary aluminum in 2021 was approximately 68.65 million tonnes, representing a year-on-year increase of approximately 8.2%. For the China market, the production volume of primary aluminum during 2021 was approximately 38.90 million tonnes, representing a year-on-year increase of approximately 4.3% and accounting for approximately 57.5% of global production volume. Consumption of primary aluminum in China during 2021 was approximately 40.55 million tonnes, representing a year-on-year increase of approximately 5.7% and accounting for approximately 59.1% of global primary aluminum consumption. (Source: Antaike)

BUSINESS REVIEW

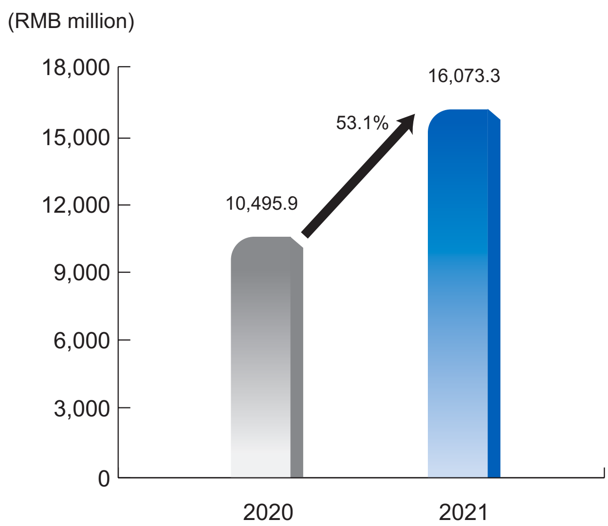
During the Year under Review, the Group's total output of aluminum alloy products and aluminum fabrication products were approximately 5.633 million tonnes and approximately 0.672 million tonnes respectively, slightly increased as compared to the same period last year.

The Group's comparative figures of revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2021 and 2020 are as follows:

Revenue



Net profit attributable to shareholders of the Company



For the year ended 31 December 2021, the Group's revenue was approximately RMB114,490,941,000, representing a year-on-year increase of approximately 32.9%, mainly due to the significant increase in the sales price of aluminum alloy products of the Group during the Year compared with the same period last year, and the increase in both sales volume and sales price of alumina products resulting in a corresponding increase in revenue from alumina products.

During the Year, the Group's sales volume of aluminum alloy products was approximately 5.052 million tonnes, maintained at similar level as the same period last year. The average sales price of aluminum alloy products increased by approximately 33.5% to RMB16,689/tonne (excluding value-added tax) compared with the same period last year. The Group's sales volume of aluminum fabrication products was approximately 0.657 million tonnes, representing an increase of approximately 9.2% compared with the same period last year. The Group's sales volume of alumina products was approximately 7.163 million tonnes, representing a year-on-year increase of approximately 6.4%.

For the year ended 31 December 2021, net profit attributable to shareholders of the Company amounted to approximately RMB16,073,342,000, representing a year-on-year increase of approximately 53.1%, mainly attributable to the result of the relatively stable supply of domestic primary aluminum production and the continued recovery of the global economy, thus leading to an overall increase in demand for domestic and overseas aluminum products and an increase in sales prices compared to the same period last 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 2021 and 2020, respectively.

	For the year ended 31 December							
	2021				2020			
Products	**Revenue** *RMB'000*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	**Percentage of revenue** *%*	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*	Percentage of revenue *%*
Aluminum alloy products	**84,312,993**	**23,512,424**	**27.9**	**73.7**	63,257,199	15,185,974	24.0	73.4
Alumina	**16,966,928**	**3,985,544**	**23.5**	**14.8**	13,486,945	2,209,688	16.4	15.7
Aluminum fabrication	**12,523,879**	**3,220,675**	**25.7**	**10.9**	8,781,080	1,934,799	22.0	10.2
Steam	**687,141**	**(265,547)**	**(38.6)**	**0.6**	619,417	24,727	4.0	0.7
Total	**114,490,941**	**30,453,096**	**26.6**	**100.0**	86,144,641	19,355,188	22.5	100.0

For the year ended 31 December 2021, the Group's revenue derived from aluminum alloy products was approximately RMB84,312,993,000, accounting for approximately 73.7% of the revenue of the Group; the revenue of alumina products was approximately RMB16,966,928,000, accounting for approximately 14.8% of the revenue of the Group. The revenue derived from aluminum fabrication products amounted to approximately RMB12,523,879,000, accounting for approximately 10.9% of the revenue of the Group. The Group's proportion of revenue by product category for the year ended 31 December 2021 has no significant change as compared with the same period last year.

For the year ended 31 December 2021, the Group's overall gross profit margin of the products was approximately 26.6%, which increased by approximately 4.1 percentage points as compared with approximately 22.5% for the same period last year. Gross profit margin of aluminum alloy products increased, which was mainly due to the significant increase in average sales price of aluminum alloy products. Affected by the rise in the alumina market prices, the Group's gross profit margin for alumina products increased by approximately 7.1 percentage points compared to the same period last year. The gross profit margin for aluminum fabrication products increased by approximately 3.7 percentage points compared with the same period last year, mainly due to the year-on-year increase in the average sales price of aluminum alloy fabrication products during the Year.

Selling and distribution expenses

For the year ended 31 December 2021, the Group's selling and distribution expenses were approximately RMB525,709,000, representing an increase of approximately 31.5% as compared with approximately RMB399,894,000 for the same period last year, which was mainly due to the increase in sales volume of the Group's alumina products and the decrease in the proportion of self-pickup of alumina products by customers in the sales contracts of alumina products, with a corresponding increase in transportation costs.

Administrative expenses

For the year ended 31 December 2021, the administrative expenses of the Group amounted to approximately RMB5,708,346,000, representing an increase of approximately 40.9% as compared with approximately RMB4,052,174,000 for the same period last year, which was mainly due to the increase in the maintenance expenses for some production lines of the Group during the Year, and the increased efforts in technology research and development, resulting in a corresponding increase in expenses.

Finance costs

For the year ended 31 December 2021, the finance costs of the Group were approximately RMB3,625,974,000, representing a decrease of approximately 19.5% as compared with approximately RMB4,506,236,000 for the same period last year, which was mainly due to the decrease of interest expenses, by repaying some of its medium-term notes and corporate bonds during the Year and continuously lowering comprehensive finance costs by the Group.

Liquidity and capital resources

As at 31 December 2021, the cash and cash equivalents of the Group were approximately RMB49,227,282,000, representing an increase of approximately 8.3% as compared with approximately RMB45,465,361,000 of the cash and cash equivalents as at 31 December 2020. 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 2021, the Group's net cash inflow from operating activities was approximately RMB28,649,525,000, net cash outflow from investing activities was approximately RMB5,463,487,000, and net cash outflow from financing activities was approximately RMB19,396,101,000. The net cash outflow for investing activities was mainly attributable to the purchase of properties, plants and equipment. The net cash outflow for financing activities was mainly attributable to 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 2021, the capital expenditure of the Group amounted to approximately RMB5,999,147,000, 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 2021, the Group had capital commitment of approximately RMB1,618,260,000, 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 2021, the Group's trade receivables amounted to approximately RMB7,284,753,000, representing a decrease of approximately 29.5% from that of approximately RMB10,335,568,000 as at 31 December 2020, which was mainly due to the Group shortening the credit period of some clients in accordance with the market conditions of aluminum products during the Year.

As at 31 December 2021, the Group's prepayments and other receivables (including non-current assets) amounted to approximately RMB11,309,706,000, representing an increase of approximately 22.3% as compared to the prepayments and other receivables (including non-current assets) of approximately RMB9,245,530,000 as at 31 December 2020, mainly due to an increase in prepayment requests from suppliers as market demand for related products and raw materials remained strong during the Year, resulting in a corresponding increase in the Group's prepayments to suppliers. In addition, the Group purchased larger amounts of certain key raw materials in the second half of the Year, as well as the increase in input tax related to equipment deducted from construction projects of certain subsidiaries, which in turn led to an increase in the retained VAT credits of subsidiaries, resulting in an increase in VAT recoverable.

As at 31 December 2021, the Group's inventory was approximately RMB22,705,105,000, representing an increase of approximately 15.2% from approximately RMB19,717,811,000 as of 31 December 2020, which was mainly due to an increase in the inventory quantity of some raw materials and an increase in the unit cost of stock.

Contingent liability

As at 31 December 2021 and 2020, the Group had no significant contingent liability.

Income tax

The Group's income tax for 2021 amounted to approximately RMB5,705,135,000, representing an increase of approximately 152.5% as compared to approximately RMB2,259,599,000 for the same period last year, the higher income tax expense was mainly attributable to the increase in the Group's profit before taxation and the completion of the utilisation of the compensating losses of certain subsidiaries during the Year, leading to a corresponding increase in income tax expense.

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

Net profit attributable to shareholders of the Company was approximately RMB16,073,342,000 for the year ended 31 December 2021, representing a significant increase of approximately 53.1% as compared to approximately RMB10,495,936,000 for the same period last year.

Basic earnings per share of the Company in 2021 were approximately RMB1.7720 (2020: approximately RMB1.2210).

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 requirements. As at 31 December 2021, the cash and cash equivalents of the Group amounted to approximately RMB49,227,282,000 (31 December 2020: approximately RMB45,465,361,000), which were mainly saved in commercial banks. Such level of cash and cash equivalents would facilitate in ensuring stability and flexibility of the Group's business operations. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources, so as to satisfy the business needs and maintain a sound and steady financial position.

As at 31 December 2021, the total liabilities of the Group amounted to approximately RMB95,982,093,000 (31 December 2020: approximately RMB104,729,330,000). Gearing ratio was approximately 50.9% (31 December 2020: approximately 57.7%), which was further optimised.

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use assets as collateral for bank borrowings to provide part of the funding for its daily business operations and project construction. As at 31 December 2021, the Group had secured bank borrowings of approximately RMB9,487,194,000 (31 December 2020: approximately RMB8,453,755,000).

As at 31 December 2021, the Group's total bank borrowings were approximately RMB36,381,751,000. 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 2021, approximately 54.0% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 46.0% were subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of financing through various debt financing instruments. As at 31 December 2021, debts except bank borrowings of the Group included approximately RMB1,500,000,000 of short-term bonds and notes, approximately RMB13,143,593,000 of medium-term notes and bonds, approximately RMB6,332,831,000 of guaranteed notes and approximately RMB3,946,714,000 of convertible bonds, the interest rates of which ranged from 3.98% to 7.375% per annum. Aforesaid notes and bonds help to optimise the Group's debt structure and reduce its financial costs.

As at 31 December 2021, the Group had net current assets of approximately RMB40,461,796,000. The Group will continue to diversify its financing channels and optimise its debt structure. In addition, the Group will continue to control its production costs, improve its profitability and improve its cash flow position in order to maintain the adequate liquidity of the Group.

As at 31 December 2021, the Group's liabilities were mainly denominated in RMB and US Dollars, among which, RMB liabilities accounted for approximately 72.5% of the total liabilities, and US Dollars liabilities accounted for approximately 27.5% of the total liabilities. The Group's cash and cash equivalents were mainly held in RMB and US Dollars, of which approximately 94.8% was held in RMB and approximately 4.9% was held in US Dollars.

Pledged assets

The details of the pledged assets of the Group are set out in note 48 to the consolidated financial statements.

Employee and remuneration policy

As at 31 December 2021, the Group had a total number of 42,650 employees, representing an increase of 205 employees as compared with 31 December 2020. During the Year, the total staff costs of the Group amounted to approximately RMB3,974,429,000, representing an increase of approximately 18.0% from approximately RMB3,369,031,000 for the same period last year, which was mainly due to, on the one hand, the increase in salaries for the staff by the Group during the Year and, on the other hand, the lower social insurance premiums paid by the Group during the same period last year as a result of the phased reduction of corporate social insurance premiums policy during the pandemic. The total staff costs of the Group were approximately 1.5% of its revenue. The remuneration packages of the Group's employees include salaries and various types of benefits. In addition, the Group has established a performance-based incentive mechanism under which the employees may be awarded 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 paid most of its expenditures in RMB. As the importation of bauxite and production equipment, export for certain processed aluminum products, 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 2021, the Group's bank balances denominated in foreign currencies were approximately RMB2,550,703,000, and liabilities denominated in foreign currencies were approximately RMB16,876,162,000. For the year ended 31 December 2021, the foreign exchange gain of the Group was approximately RMB393,892,000 (2020: exchange gain approximately RMB320,832,000).

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the year ended 31 December 2021, the Company did not have other material acquisitions or disposals of subsidiaries, associates or joint ventures.

Significant investment held

During the year ended 31 December 2021, the Group did not hold any significant investment which had significant impact on its overall operation.

Future plans for material investments or capital assets

During the year ended 31 December 2021 and as of the date of this annual report, there was no future plan approved by the Group for any material investments or capital assets.

MAJOR RISKS AND UNCERTAINTIES

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

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

ENVIRONMENTAL PROTECTION POLICY

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

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

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

IN COMPLIANCE WITH LAWS AND REGULATIONS

The Company is established in Cayman Islands, most of the Group's operations are performed in domestic China, while the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2021 and until the date of publishing this annual report, the Group has always been committed to complying with relevant requirements of the laws and regulations in operation respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

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

Suppliers

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

Customers

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

FUTURE PROSPECT

In the prospect of 2022, the Group believes that, with the continuous positive development of China's economy, the aluminum industry in China will maintain its positive trend with its strong foundation and steadily growing demand for aluminum, but the aluminum industry will continue to face opportunities and challenges as the pandemic remains volatile and the complex geopolitical landscape creates uncertainty in the global economy.

The Group will continue to play a leading role in the industry, continue to actively respond to the national strategic goals of "reaching the peak of carbon emissions and achieving carbon neutrality" ("dual carbon") by taking the initiative to fulfill its carbon reduction responsibilities, optimising its energy structure and implementing "dual carbon" work, striving to contribute to the low carbon transformation of the industry, achieving China's "dual carbon" goals and combating global climate change. While fulfilling its social responsibility, the Group will further improve its basic corporate management level, increase investment in technology and innovation to further strengthen the function of the stock assets, accelerating the extension to the higher end of the industry chain while improving the Group's own industrial chain and supply chain. In respect of debt structure, the Group will also continue to optimise its financial structure and remain committed to reward shareholders for their long-term support with a consistent and stable dividend distribution policy.

EVENTS AFTER THE REPORTING PERIOD

There were no important events affecting the Group that have occurred after 31 December 2021 and up to the date of this annual report.

Directors and Senior Management

DIRECTORS

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

Name	Age	Position
Mr. ZHANG Bo	52	Chairman, Executive Director and Chief Executive Officer
Ms. ZHENG Shuliang	75	Vice Chairman and Executive Director
Ms. ZHANG Ruilian	44	Vice President, Chief Financial Officer and Executive Director
Ms. WONG Yuting	37	Executive Director, Head of Investor Relations Department and Head of Corporate Finance Department
Mr. YANG Congsen	52	Non-executive Director
Mr. ZHANG Jinglei	45	Non-executive Director
Mr. LI Zimin	50	Non-executive Director
Mr. ZHANG Hao	47	An alternate Director to Mr. LI Zimin
Ms. SUN Dongdong	44	Non-executive Director
Mr. WEN Xianjun	59	Independent Non-executive Director
Mr. XING Jian	72	Independent Non-executive Director
Mr. HAN Benwen	71	Independent Non-executive Director
Mr. DONG Xinyi	45	Independent Non-executive Director

Executive Directors

Mr. Zhang Bo (張波), aged 52, was appointed as an executive Director and the chief executive officer of the Company on 16 January 2011. He was elected as the chairman of the Board and a member of each of the remuneration committee and nomination committee of the Company on 31 May 2019. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He is responsible for the overall strategic planning and operation of the Group. He joined the Group in 2006 and has fifteen years of experience in aluminum industry. He had been the deputy general manager of Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) ("Chuangye Group") from April 1998 to February 1999, and successively served as the general manager, executive director, chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) ("Weiqiao Textile", a company listed on the Stock Exchange, stock code: 2698.HK) (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010, the chairman and general manager of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) ("Binzhou Industrial Park") from November 2001 to May 2010, the general manager of Shandong Hongqiao from January 2010 to January 2021, the chairman of Binzhou Aluminum Industry Association from June 2014 to August 2020, a vice chairman of the International Aluminium Institute from November 2016 to August 2020 and an executive director and the general manager of Shandong Hongtuo Industrial Company Limited (山東宏拓實業有限公司) ("Hongtuo Industrial") from June 2019 to December 2021. Currently, he is the chairman and the general manager of Weiqiao Aluminum & Power since November 2006, a director (since January 2010) and the general manager (since November 2021) and the chairman (since June 2019) of Shandong Hongqiao, a director of Hongqiao (HK) International Trading Limited (宏橋(香港)國際貿易有限公司) ("Hongqiao (HK) Trading") since April 2012, a director of Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment (Hong Kong)") since January 2015, the chairman of Chuangye Group since September 2018, a director of China Hongqiao Investment Limited (中國宏橋投資有限公司) since May 2019, the Chairman of Hongtuo Industrial since December 2021 and an executive director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) since April 2020. He has been the honorary chairman of Binzhou Aluminum Industry Association since August 2020, a deputy to the vice president of China Non-ferrous Metals Industry Association since

March 2015, the chairman of Shandong Aluminium Industry Association since March 2019, the chairman of Binzhou Entrepreneurs Association since January 2020, vice chairman of Binzhou Shiping Charity Foundation (since September 2020) and chairman of Binzhou Charity Federation (since October 2020). He was selected by the State Council as "National Model Worker" in 2010. He is a representative of the twelfth Shandong Provincial People's Congress. Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Ms. Zheng Shuliang (鄭淑良), aged 75, was appointed as the vice chairman and an executive Director of the Company on 16 January 2011. She joined the Group in July 2009. She successively held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Chuangye Group from June 1999 to June 2001. She is the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen. She is currently a director and the vice chairman of Shandong Hongqiao since January 2010 and a director of Weiqiao Aluminum & Power since November 2011 and chairman of Binzhou Shiping Charity Foundation (since September 2020).

Ms. Zhang Ruilian (張瑞蓮), aged 44, was appointed as an executive Director of the Company on 11 December 2017. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She obtained the bachelor's degree in accounting from Beijing Foreign Studies University in July 2019. She joined the Group in June 2006 and has over 21 years of experience in accounting. She is responsible for the supervision of the Group's finance and accounting affairs. She served as the manager of audit department of Chuangye Group from December 2005 to June 2006. She has been the head of financial department of Weiqiao Aluminum & Power since June 2006, a director of Weiqiao Aluminum & Power since December 2014, the manager of financial department of Shandong Hongqiao since February 2010, a director of Shandong Hongqiao since December 2014, and a director of Hongqiao (HK) Trading since April 2012. She is currently the vice president (since January 2011) and the chief financial officer of the Company (since September 2014).

Ms. Wong Yuting (王雨婷), aged 37, was appointed as an executive Director of the Company on 20 August 2021. She graduated from the business school of The University of Nottingham (United Kingdom) in December 2008, majoring in risk management and microeconomics. She joined the Company in June 2011. Ms. Wong has been Head of Investor Relations of the Company from June 2011 to present and Head of Corporate Finance of the Company from March 2014 to present, and is responsible for the Company's foreign capital markets, institutional investor communications, financing and mergers and acquisitions.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 52, was appointed as a non-executive Director of the Company on 16 January 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. He obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He joined the Group in January 2007 and has over 21 years of management experiences. He was responsible for the production and operation of the self-owned power plants of the Group and was also the deputy general manager of Weiqiao Aluminum & Power prior to the listing of the Company in 2011. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of thermal power plant of Chuangye Group from December 1999 to October 2003, deputy general manager of Chuangye Group from January 2005 to June 2006 and the general manager of Shandong Hongqiao from January 2021 to December 2021. He is currently a director of Chuangye Group, a director (since January 2010) of Shandong Hongqiao, a director of Weiqiao Aluminum & Power since December 2006 and the managing director of Hongtuo Industrial (since December 2021). He is the son-in-law of Ms. Zheng Shuliang and the brother-in-law of Mr. Zhang Bo.

Directors and Senior Management

Mr. Zhang Jinglei (張敬雷), aged 45, was appointed as a non-executive Director on 16 January 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined the Group in January 2011. He joined Weiqiao Textile (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile (including its predecessor) from September 1998 to September 2000, and has successively worked at the securities office, production technology section and the capital markets department of Weiqiao Textile since October 2000. He is currently an executive director (since June 2010) and the company secretary (since May 2010) of Weiqiao Textile, a director of Chuangye Group (since September 2018) and a director of Shandong Hongqiao (since January 2021).

Mr. Li Zimin (李子民), aged 50, was appointed as a non-executive Director of the Company on 27 January 2021. He graduated from Beijing Institute of Economics (北京經濟學院) with a bachelor of economics degree majoring in trade and economics in July 1994, graduated from Tsinghua University (清華大學) with a master of business administration degree majoring in business administration in January 2006, and graduated from University of Chinese Academy of Science (中國科學院大學) with a doctorate in management majoring in management science and engineering in 2015. He served as the project supervisor of the asset preservation department and the project manager of the investment management department of CITIC Industrial Trust Investment Corporation (中信興業信託投資公司) (currently known as CITIC Trust Co., Ltd. (中信信託有限責任公司)) from December 1998 to September 2002. He held several positions in CITIC Trust Investment Co., Ltd. (中信信託投資有限責任公司) (currently known as CITIC Trust Co., Ltd. (中信信託有限責任公司)), as the project manager, senior manager and expert of the annuity trust department from September 2002 to February 2005 and as the head of the corporate integrated financial services team from February 2005 to January 2006. He also successively held various positions in CITIC Trust Co., Ltd. (中信信託有限責任公司), as the general manager of the investment banking department I, the business director, deputy general manager, general manager and vice chairman from January 2006 to October 2020. Since October 2020, he has been the secretary of party committee, vice chairman and general manager of CITIC Trust Co., Ltd. (中信信託有限責任公司). He has also been a director of CTI Capital Management Limited (中信信惠國際資本有限公司) since January 2021.

Mr. Zhang Hao (張浩), aged 47, was appointed as an alternate Director to Mr. Li Zimin on 27 January 2021. He graduated from University of International Business and Economics (對外經濟貿易大學, formerly known as China Institute of Finance (中國金融學院)) with a bachelor of economics degree majoring in international finance in July 1996. He served as a foreign exchange trader and the deputy manager of the treasury department of China CITIC Industrial Bank (中信實業銀行, currently known as China CITIC Bank Corporation Limited (中信銀行股份有限公司, stock code: 998.HK and 601998.SH)) successively from August 1996 to June 2003. He served as a director of the financial market department of Calyon Hong Kong Limited from July 2003 to June 2005, and an executive director of the financial market department of Bear Stearns Asia Limited from July 2005 to June 2008. He also served as the managing director of the financial market department of Standard Chartered Bank (HK) Ltd, from July 2008 to July 2014. From 11 December 2017 to 2 February 2018 and from 31 August 2018 to 27 January 2021, he served as an alternate Director to Mr. Chen Yisong, a former non-executive Director of the Company. Since August 2014, he has served as the chief executive officer and the executive director of CTI Capital Management Limited (中信信惠國際資本有限公司) and also served in CTI Capital Hong Kong Limited (中信信惠國際資本(香港)有限公司), being a wholly-owned subsidiary of CTI Capital Management Limited (中信信惠國際資本有限公司) and holding licenses issued by the Securities and Futures Commission of Hong Kong to carry out regulated activities) as the chief executive officer, executive director, the responsible officer for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities and the licensed representative for type 9 (asset management) regulated activities.

Ms. Sun Dongdong (孫冬冬), aged 44, was appointed as a non-executive Director of the Company on 5 March 2021. She graduated from Shandong Institute of Architectural Engineering (山東建築工程學院) majoring in heating, ventilation and air conditioning engineering in July 1998 and she is a certified senior economist and budget specialist. Ms. Sun successively held various positions in Weiqiao Aluminum & Power, as the chief of the supply section from November 2000 to June 2006, the chief of electrical and mechanical services section of the material supply department from June 2006 to May 2010, the chief of budget audit section from May 2010 to June 2011, the chief of audit supervisory department from June 2011 to March 2018, and the chief of audit department from March 2018 to October 2020. She has been serving as a supervisor of Shandong Hongqiao since June 2019, a supervisor of Weiqiao Aluminum & Power since June 2019, a supervisor of Yunnan Hongqiao New Material Co., Ltd. (雲南宏橋新型材料有限公司) since October 2019, a supervisor of Yunnan Hongtai New Material Co., Ltd. (雲南宏泰新型材料有限公司) since October 2019, a supervisor of Shanghai Helu Equity Investment Management Co., Ltd. (上海和魯股權投資管理有限公司) since November 2019, as well as the chief of audit department of Shandong Hongqiao since October 2020.

Independent Non-Executive Directors

Mr. Wen Xianjun (文獻軍), aged 59, was appointed as an independent non-executive Director on 5 March 2021. He graduated from Central South University (中南大學, formerly known as Central South Institute of Mining and Metallurgy (中南礦冶學院)) with a bachelor of engineering degree majoring in metallic materials in July 1984, and graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) with a master of engineering degree majoring in metallic materials in June 1990. He successively served as an associate engineer of Beijing Non-Ferrous Research Institute from August 1984 to August 1987, an engineer of the technology department of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from July 1990 to June 1992, a deputy director and a senior engineer of Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心) from September 1992 to January 1996, a deputy director of the investment and operations department and a senior engineer of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from February 1996 to April 1998, the deputy head, a director-level consultant and a senior engineer of Industry Administration Department of the State Nonferrous Metals Industry Administration of China (國家有色金屬工業局行業管理司) from May 1998 to December 2000, as well as the director of CPC Central Enterprise Working Committee (中央企業工委) from January 2001 to March 2001. He successively served as the deputy head of industry coordination department, head of the aluminum department, the vice chairman and a professor level senior engineer of China Nonferrous Metals Industry Association (中國有色金屬工業協會) from April 2001 to April 2021 and also served as the chairman of China Nonferrous Metals Processing Industry Association (中國有色金屬加工工業協會) from October 2010 to October 2017. Mr. Wen has also served as an independent director in various listed companies. He served as an independent director of Henan Zhongfu Industrial Co., Ltd. (河南中孚實業股份有限公司) ("Zhongfu Industrial") (a company listed on the Shanghai Stock Exchange (stock code: 600595)) from October 2009 to November 2014, an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鉭業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000962) from March 2011 to October 2014, an independent director of Zhejiang Dongliang New Material Co., Ltd. (浙江棟樑新材股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002082) from May 2011 to September 2013, an independent director of Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd. (焦作萬方鋁業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000612) from July 2013 to October 2014, as well as an independent director of Suzhou Lopsking Aluminium Co. Ltd. (蘇州羅普斯金鋁業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002333) from October 2013 to October 2014. He has been serving as an independent director of China Zhongwang Holdings Limited (中國忠旺控股有限公司) (a company listed on the Stock Exchange, stock code: 01333) from July 2008 to July 2021, and an independent director of Henan Shenhuo Coal & Power Co., Ltd. (河南神火煤電股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000933) since May 2020. He has served as an independent director of Guangdong Xingfa Aluminium Co. Ltd. (廣東興發鋁業有限公司) (a company listed on the Stock Exchange, stock code: 00098) since August 2021, an independent director of Zhejiang Hailiang Co., Ltd (浙江海亮股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002203) and an independent director of Zhongfu Industrial (a company listed on the Shanghai Stock Exchange, stock code: 600595) since November 2021.

Directors and Senior Management

Mr. Xing Jian (邢建), aged 72, was appointed as an independent non-executive Director on 16 January 2011. He graduated from Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) and obtained a university diploma in economics and management in December 1995. He held the positions of deputy secretary and secretary of Weiqiao Town of Zouping County from August 1982 to October 1985, deputy mayor of Zouping County from October 1985 to February 1987, deputy secretary and county mayor of Gaoqing County from February 1987 to January 1994, director and party secretary of Audit Bureau of Zibo City of Shandong Province from July 1994 to March 1999, deputy commissioner and party secretary of Special Commissioner Office of National Auditing Administration in Jinan from April 1999 to January 2001, deputy director of Head Office Service Bureau of National Auditing Administration from January 2001 to May 2002, director of Building Materials Auditing Bureau of National Auditing Administration from May 2002 to August 2008 and auditor of Social Insurance Auditing Bureau of National Auditing Administration from August 2008 to June 2009.

Mr. Han Benwen (韓本文), aged 71, was appointed as an independent non-executive Director on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. He worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) (formerly known as Zouping Jianxin Certified Public Accountants Corporation (鄒平鑒鑫有限責任會計師事務所)) as an accountant from December 1999 to February 2007. He has been working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

Mr. Dong Xinyi (董新義), aged 45, was appointed as an independent non-executive Director on 11 December 2017. He graduated from Northwest Institute of Politics and Law (西北政法學院, currently known as Northwest University of Politics and Law (西北政法大學)) in Xi'an, Shanxi Province, the PRC with a bachelor of law degree majoring in international economic law in July 2000; from Korea University in Seoul, Korea with a master of law degree in August 2006 and the degree of doctor of philosophy in law in August 2009, respectively. He served as a clerk at the civil and administrative procuratorial office, the People's Procuratorate of Huangdao District, Qingdao City, Shandong Province from July 2000 to March 2004. He served as the department head of the legal affair department of Sino-Korea Future Urban Development Co., Ltd. (韓中未來城市開發株式會社) in Korea from July 2009 to July 2010. He served as a postdoctoral researcher at Law School of Renmin University of China (中國人民大學) from July 2010 to June 2012. Since July 2012, he has been serving in various positions at Central University of Finance and Economics (中央財經大學, the "CUFE"), including as a teaching staff and an associate professor. He has concurrently been serving as the deputy head of the Research Center for Internet and Informal Finance Laws of CUFE (中央財經大學互聯網金融與民間融資法治研究中心) since May 2015 and the head of Research Center for Technology and Finance Law of CUFE (中央財經大學科技與金融法律研究中心) since June 2017. He has also been the director of Beijing Institute of Financial Services Law (北京市金融服務法學研究會) since December 2014, an attorney at Beijing King & Capital Law Firm (北京市京都律師事務所) since February 2016, and the director of Institute of Securities Law of China Law Society (中國法學會證券法學研究會) since April 2017. He served as a supervisor of Woori Bank (China) Limited (友利銀行(中國)有限公司) from September 2013 to January 2020 and has served as an independent director of Woori Bank (China) Limited since January 2020. He has been a non-executive director of Zhonghao Xiangyu Investment Management Co., Ltd. (中皓翔宇投資管理有限公司) since February 2016, and an independent director of Guangdong Green Precision Components Co., Ltd. (廣東格林精密部件股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300968) since September 2016.

SENIOR MANAGEMENT

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

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

COMPANY SECRETARY

Ms. Zhang Yuexia (張月霞), aged 46, was appointed as the secretary of the Company on 16 January 2011. She graduated from Binzhou Normal Specialised Postsecondary College (濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She received her bachelor's degree in accounting from China University of Petroleum (Huadong) (中國石油大學(華東)) in July 2020. She has over twenty years of accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy head of the securities department of Weiqiao Textile from March 2008 to January 2010. She has been serving as the director of Hongqiao Trading since April 2012. She had not served any position in the Group prior to 16 January 2011.

Report of the Directors

The Directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

Details of the subsidiaries of the Company are set out in note 55 to the consolidated financial statements.

DIVIDEND POLICY

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

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

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

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

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2021 and the financial position of the Group as at 31 December 2021 are set out on pages 68 to 70 in the audited consolidated financial statements of this annual report.

The Board proposed the payment of a final dividend of HK60 cents per share for the year ended 31 December 2021 (the "2021 Final Dividend"). The 2021 Final Dividend, subject to the approval of the shareholders at the annual general meeting of the Company (the "2021 Annual General Meeting") which will be held on Wednesday, 18 May 2022, will be paid on or before Friday, 17 June 2022 to the shareholders whose names appear on the register of members of the Company on Tuesday, 31 May 2022.

The payment of 2021 Final Dividend of HK60 cents per share was proposed. Together with the paid 2021 interim dividend of HK45 cents per share, the total 2021 dividend is HK105 cents per share, representing an increase of approximately 61.5% as compared with the 2020 dividend of HK65 cents per share.

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

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Thursday, 12 May 2022 to Wednesday, 18 May 2022 (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 Wednesday, 18 May 2022 are entitled to attend and vote at the forthcoming 2021 Annual General Meeting. In order to be entitled to attend the 2021 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 Wednesday, 11 May 2022. 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 Wednesday, 25 May 2022 to Tuesday, 31 May 2022 (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 Tuesday, 31 May 2022 are entitled to the 2021 Final Dividend. In order to qualify for the 2021 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 Tuesday, 24 May 2022. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group for the years ended 31 December 2017, 2018 and 2019, and from the audited consolidated financial statements of the Group for the years ended 31 December 2020 and 2021 on pages 68 to 70 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(restated)*				
Revenue	97,941,916	90,194,924	84,179,288	86,144,641	**114,490,941**
Cost of sales	(81,561,674)	(74,794,362)	(67,715,035)	(66,789,453)	**(84,037,845)**
Gross profit	16,380,242	15,400,562	16,464,253	19,355,188	**30,453,096**
Other income and gains	2,497,598	2,135,396	3,140,517	2,700,719	**3,706,677**
Selling and distribution expense	(270,215)	(371,206)	(449,041)	(399,894)	**(525,709)**
Administrative expenses	(2,083,209)	(3,867,211)	(3,645,691)	(4,052,174)	**(5,708,346)**
Other expenses	(5,678,876)	(706,916)	(2,166,798)	(616,586)	**(1,690,523)**
Finance costs	(4,080,942)	(4,433,389)	(5,219,595)	(4,506,236)	**(3,625,974)**
Changes in the fair values of financial instruments	(19,897)	397,683	138,077	(291,255)	**(116,806)**
Share profit of associates	371,989	429,545	509,345	514,588	**61,519**
Gain (loss) on disposal of subsidiaries	–	(648,772)	–	–	**–**
Profit before taxation	7,116,690	8,335,692	8,771,067	12,704,350	**22,553,934**
Income tax expenses	(1,788,953)	(2,549,440)	(2,315,924)	(2,259,599)	**(5,705,135)**
Profit for the year	5,327,737	5,786,252	6,455,143	10,444,751	**16,848,799**
Profit (loss) for the year attributable to:					
Owners of the parent	5,130,064	5,407,422	6,095,335	10,495,936	**16,073,342**
Non-controlling interests	197,673	378,830	359,808	(51,185)	**775,457**

Assets and liabilities

	As at 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
	(restated)*				
Total assets	158,684,987	176,726,892	179,604,445	181,531,000	**188,420,922**
Total liabilities	104,947,420	114,107,395	113,588,469	104,729,330	**95,982,093**

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 16 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other debts of the Group as at 31 December 2021 are set out in notes 34, 35, 36, 37 and 38 to the consolidated financial statements.

SHARE CAPITAL, DEBENTURES AND EQUITY-LINKED AGREEMENTS

Details of the changes in share capital of the Company during the year ended 31 December 2021 are set out in note 41 to the consolidated financial statements. Details of the Company's bonds and notes during the year ended 31 December 2021 are set out in notes 35, 36, 37 and 38 to the consolidated financial statements. The Company does not have any share option scheme. Save as disclosed in the section "PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES" below, during the year ended 31 December 2021, the Company has not entered into any other equity-linked agreement, nor there was any equity-linked agreement subsisting at the end of the year.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2021 and as of the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2021 and up to the date of this annual report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares in, or debentures of, the Company or any other body corporate or had exercised any such right in the Year.

PURCHASE, 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 2021 and up to the date of this annual report.

SENIOR NOTES

(1) 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.

(2) 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.

(3) On 1 June 2021, the Company issued 6.25% senior unsecured notes due 2024 in the aggregate principal amount of US$500,000,000. 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$493,900,000. The notes were listed and quoted on the SGX-ST. The proceeds were used by the Company as described in the announcement of the Company dated 1 June 2021. Please refer to the announcements of the Company dated 1 June 2021 and 10 June 2021 for details.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

(1) 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"), 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 subscription shares are ordinary shares of the Company with an aggregate nominal value of US$3,075,000. The net subscription price, after deduction of fees and expenses, is approximately HK$6.20 per subscription share. The closing price of the ordinary shares of the Company on 24 November 2020, being the last trading day immediately before the date of the placing and subscription agreement, was HK$7.32. The placing and the subscription were completed on 27 November 2020 and 2 December 2020, respectively. Relevant details are set out in the Company's announcements dated 25 November 2020 and 2 December 2020 and the next day return dated 2 December 2020.

The net proceeds from the subscription amounted to approximately HK$1.9 billion, which were used as follows:

50% was used for development of production lines for secondary aluminum and lightweight materials. To further expand the Group's business and improve its research and development capacity, the Company used 50% of the net proceeds to develop production lines for secondary aluminum and lightweight materials.

50% was used for replenishment of the Group's general working capital. To guarantee the smooth operations and to reduce the financing cost of the Company, the Company used 50% of the net proceeds to replenish the general working capital of the Group, among others, procurement of raw materials, research and development expenditure and taxation).

(2) In order to raise further capital and broaden the Company's shareholder and capital base at the same time, on 10 March 2021, the Company, Hongqiao Holdings, and the placing agents entered into the placing and subscription agreement. Pursuant to the placing and subscription agreement, the placing agents agreed to place 243,000,000 shares of the Company held by Hongqiao Holdings to independent placees at the placing price of HK$9.72 per share, and Hongqiao Holdings agreed to subscribe for and the Company agreed to allot and issue 243,000,000 new shares of the Company to Hongqiao Holdings at the subscription price of HK$9.72 per share. The subscription shares are ordinary shares of the Company with an aggregate nominal value of US$2,430,000. The net subscription price, after deduction of fees and expenses, is approximately HK$9.56 per subscription share, which represented a discount of approximately 10.99% to the closing price of the ordinary shares of the Company of HK$10.92 per share as quoted on the Stock Exchange on 10 March 2021, being the date of the placing and subscription agreement. The placing and the subscription were completed on 15 March 2021 and 19 March 2021, respectively. Relevant details are set out in the Company's announcements dated 10 March 2021, 19 March 2021 and the next day return dated 19 March 2021.

The net proceeds from subscription amounted to approximately HK$2,324,000,000, which were used as follows:

30% for capital expenditure for Yunnan Green Aluminum Innovation Industrial Park project: as of the date of this annual report, the Company used 30% of the net proceeds (approximately HK$697,200,000) for construction of the Yunnan Green Aluminum Innovation Industrial Park project.

30% for capital expenditure for secondary aluminum project: as of the date of this annual report, the Company used 30% of the net proceeds (approximately HK$697,200,000) to develop secondary aluminum projects.

40% for general corporate purposes: as of the date of this annual report, the Company used 40% of the net proceeds (approximately HK$929,600,000) to replenish the general working capital of the Group (among others, procurement of raw materials, research and development expenditure and taxation).

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%.

The bonds matured on 21 August 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.

(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%.

The bonds matured on 15 July 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.

(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.

(4) On 2 September 2020, Shandong Hongqiao obtained the "Approval for the Registration for Public Issuance of Corporate Bonds to Professional Investors by Shandong Hongqiao New Material Co., Ltd. (Zheng Jian Xu Ke [2020]) No. 2060)" (《關於同意山東宏橋新型材料有限公司向專業投資者公開發行公司債券註冊的批覆》) from the China Securities Regulatory Commission, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB20,000,000,000 in the PRC.

(i) On 11 June 2021, Shandong Hongqiao completed the issuance of 2021 domestic corporate bonds (first tranche) (type 1), with an offering size of RMB500,000,000, for a term of 1+1 years (2-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 first year), carrying an interest of 4.90% per annum.

(ii) On 11 June 2021, Shandong Hongqiao completed the issuance of 2021 domestic corporate bonds (first tranche) (type 2), with an offering size of RMB500,000,000, for a term of 2+1 years (3-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the second year), carrying an interest of 5.60% per annum.

(iii) On 20 August 2021, Shandong Hongqiao completed the issuance of 2021 domestic corporate bonds (second tranche), with an offering size of RMB1,000,000,000, for a term of 1+1+1 years (3-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the first and second years), carrying an interest of 4.16% per annum.

CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER

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

(i) On 26 October 2015, Weiqiao Aluminum & 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 Aluminum & 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 Aluminum & Power to issue the corporate bonds of no more than RMB6,000,000,000 in the PRC.

(i) On 10 March 2016, Weiqiao Aluminum & 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 matured on 10 March 2021. Weiqiao Aluminum & Power redeemed 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 Aluminum & 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 matured on 10 March 2021. Weiqiao Aluminum & Power redeemed 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 Aluminum & 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 matured on 22 March 2021. Weiqiao Aluminum & Power redeemed 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 Aluminum & 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 Aluminum & Power to issue the corporate bonds of no more than RMB7,800,000,000 in the PRC.

On 17 October 2016, Weiqiao Aluminum & 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. 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 26 August 2021 to 1 September 2021, the sale-back amount of the bond holders is RMB4,278,954,600. From 19 October 2021 to 15 November 2021, Weiqiao Aluminum & Power resold the repurchased bonds above, for a resold amount of RMB2,000,000,000. After completion of the sale-back and resold, the remaining amount of the bonds is RMB5,521,045,400 and the coupon rate increases to 4.80%.

(4) On 22 February 2019, Weiqiao Aluminum & 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 Aluminum & Power to issue corporate bonds of no more than RMB5,300,000,000 in the PRC.

On 26 March 2019, Weiqiao Aluminum & 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. 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 March 2022 to 3 March 2022, the sale-back amount of the bond holders is RMB878,058,200. After completion of the sale-back, the remaining amount of the bonds is RMB1,121,941,800 and the coupon rate decreases to 4.40%.

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

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

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2020, the conversion price per share was adjusted from HK$6.29 to HK$6.04 effective from 15 June 2021. Please refer to the announcement of the Company dated 11 June 2021 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 2021, the conversion price per share was adjusted from HK$6.04 to HK$5.79 effective from 15 November 2021. Please refer to the announcement of the Company dated 25 November 2021 for details.

ADJUSTMENT OF THE PRINCIPAL AMOUNT AND THE CONVERSION PRICE OF 5.25% CONVERTIBLE BONDS DUE 2026

On 7 January 2021 (after trading hours), the Company and the subsidiary guarantors entered into the convertible bonds 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 convertible bonds with an initial principal amount of US$300,000,000. The initial conversion price (subject to adjustment) was HK$8.91 per share. The net proceeds of the convertible bonds placing were approximately US$294,000,000 which the Company has fully ultilised for the uses as described in the announcement of the Company dated 8 January 2021. Please refer to the announcements of the Company dated 8 January 2021 and 27 January 2021, 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 2020, the conversion price per share was adjusted from HK$8.91 to HK$8.47 effective from 15 June 2021. Please refer to the announcements of the Company dated 11 June 2021 and 15 June 2021, respectively, 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 2021, the conversion price per share was adjusted from HK$8.47 to HK$8.12 effective from 15 November 2021. Please refer to the announcement of the Company dated 25 June 2021 for details.

INTRODUCTION OF THE STRATEGIC INVESTOR

On 30 April 2021, the Company, Hongqiao Investment (HK) and Shandong Hongqiao, both being indirect subsidiaries of the Company, entered into the capital contribution agreement with CCB Financial Asset Investment Company Limited (建信金融資產投資有限公司) ("CCB Investment"), pursuant to which CCB Investment has agreed to subscribe for new capital in Shandong Hongqiao in the aggregate amount of RMB1.0 billion (together with two other previous investors, namely Sanya Changzhe Hongji Venture Capital Fund Partnership (Limited Partnership) (三亞長浙宏基創業投資基金合夥企業(有限合夥)) and Sanya Changzhe Hongye Venture Capital Fund Partnership (Limited Partnership) (三亞長浙宏葉創業投資基金合夥企業(有限合夥)), a total amount of RMB3.8 billion); meanwhile, Hongqiao Investment (HK) has agreed to contribute capital of RMB3.0 billion from the distributable profits of Shandong Hongqiao simultaneously to Shandong Hongqiao. The total amount involved in the aforesaid capital increase was RMB6.8 billion. Upon completion of the capital increase, Shandong Hongqiao is held as to approximately 94.52% by Hongqiao Investment (HK) and as to approximately 5.48% in aggregate by the investors, respectively. The Company has fully utilised the net proceeds from the capital increase for the purposes as described in the announcement of the Company dated 3 May 2021. For details, please refer to the announcement of the Company dated 3 May 2021.

CHARITABLE DONATIONS

For the year ended 31 December 2021, the Group donated a total of RMB91,990,440, mainly for supporting flood relief in Henan and Shanxi in 2021, and public welfare projects for education.

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 December 2021 are set out in note 54 to the consolidated financial statements.

TAX RELIEF

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, sales to the Group's five largest customers and sales to the Group's largest customer accounted for approximately 56.6% and 38.3% of the Group's total sales for the year ended 31 December 2021 respectively.

During the year ended 31 December 2021, purchases from the Group's five largest suppliers and purchases from the Group's largest supplier accounted for approximately 41.8% and 18.0% of the Group's total purchases for the year ended 31 December 2021 respectively.

None of the Directors, their close associates or any other shareholders (which to the knowledge of the Board own more than 5% of the Company's issued share capital) had any equity interests in the five largest customers or suppliers of the Group during the year ended 31 December 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance. None of the Directors waived or agreed to waive any emoluments during the Year. Details in relation to the emoluments of the Directors, chief executive and five highest paid employees for the year ended 31 December 2021 are included in notes 12 and 13 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years with effect from their respective dates of appointment, unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association. None of the Directors proposed for re-election at the 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.

The list of the Directors of the Company from 31 December 2021 up to the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. ZHANG Bo *(Chairman, Chief Executive Officer, Authorised Representative)*
Ms. ZHENG Shuliang *(Vice Chairman)*
Ms. ZHANG Ruilian *(Vice President, Chief Financial Officer)*
Ms. WONG Yuting *(Head of Investor Relations Department and Head of Corporate Finance Department)*

NON-EXECUTIVE DIRECTORS

Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. LI Zimin *(Mr. Zhang Hao as his alternate)*
Ms. SUN Dongdong

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographies of each of the Directors and senior management are set out on pages 16 to 21 in this annual report.

CHANGES IN INFORMATION OF DIRECTOR AND CHIEF EXECUTIVE

(1) Mr. Zhang Bo, an executive Director and the chief executive officer of the Company, ceased to serve as the general manager of Shandong Hongqiao from January 2021, and has once again served as the general manager of Shandong Hongqiao since November 2021; served as the chairman of Hongtuo Industrial since December 2021. He ceased to serve as an executive director and general manager of Hongtuo Industrial since December 2021.

(2) Mr. Yang Congsen, a non-executive Director, has ceased to serve as the general manager of Shandong Hongqiao since December 2021 and has been serving as a managing director of Hongtuo Industrial since December 2021.

(3) Mr. Wen Xianjun, an independent non-executive director, has ceased to serve as an independent director of China Zhongwang Holdings Limited (中國忠旺控股有限公司) (a company listed on the Stock Exchange, stock code: 01333) since July 2021. He has served as an independent director of Guangdong Xingfa Aluminium Co. Ltd. (廣東興發鋁業有限公司) (a company listed on the Stock Exchange, stock code: 00098) since August 2021, an independent director of Zhejiang Hailiang Co., Ltd. (浙江海亮股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002203) since September 2021 and an independent director of Henan Zhongfu Industrial Co., Ltd. (河南中孚實業股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600595) since November 2021. He has ceased to serve as the deputy head of industry coordination department, head of the aluminum department, the vice chairman and a professor level senior engineer of China Nonferrous Metals Industry Association (中國有色金屬工業協會) since April 2021.

Save for that disclosed above, for the year ended 31 December 2021 and up to the date of this annual report, there was no other change in the Directors and chief executive of the Company, and the Company is not aware of any other changes in the information of the Directors and chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules

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

Save as disclosed in the section headed "Connected Transactions" herein, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any other transaction, arrangement or contract of the Company or any of its subsidiaries which was of significance to the business of the Group and subsisted during the year ended 31 December 2021 or at the end of such year.

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

As at 31 December 2021, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 2021 (%)
Shiping Prosperity Private Trust Company[1]	Trustee	6,076,513,573 (L)	66.62
China Hongqiao Holdings Limited[1]	Beneficial owner	6,076,513,573 (L)	66.62
CTI Capital Management Limited[2]	Beneficial owner	806,640,670 (L)	8.84
CITIC Limited[2]	Interest of a controlled corporation	1,157,253,469 (L)	12.69
CITIC Group Corporation[2]	Interest of a controlled corporation	1,157,253,469 (L)	12.69

Notes:

(1) Shiping Prosperity Private Trust Company held 100% equity interest in Hongqiao Holdings as trustee.

(2) CITIC Group Corporation held 100% equity interest in CITIC Polaris Limited, which held 32.53% equity interest in CITIC Limited, and CITIC Group Corporation also held 100% equity interest in CITIC Glory Limited, which held 25.60% equity interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% equity interest in CITIC Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited. CITIC Corporation Limited held 82.26% equity interest in CITIC Trust Co., Ltd. and 100% equity interest in CITIC Industrial Investment Group Corp., Ltd., which held 17.74% equity interest in CITIC Trust Co., Ltd. Accordingly, CITIC Corporation Limited directly and indirectly held 100% equity interest in CITIC Trust Co., Ltd. CITIC Trust Co., Ltd. held 100% equity interest in CTI Capital Management Limited, 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% equity interest in China CITIC Bank Corporation Limited indirectly, which held 99.05% equity interest in CNCB (Hong Kong) Investment Limited directly. CITIC Limited held 100% equity interest in CITIC Investment (HK) Limited indirectly, which in turn held 100% equity interest in Fortune Class Investments Limited directly. Fortune Class Investments Limited held 0.02% equity interests in China CITIC Bank Corporation Limited directly. CITIC Limited held 100% equity interest in Metal Link Limited directly, which in turn held 0.58% equity interest in China CITIC Bank Corporation Limited directly. Accordingly, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CNCB (Hong Kong) Investment Limited under the SFO.

Save as disclosed above, as at 31 December 2021, 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' AND CHIEF EXECUTIVE OF THE COMPANY'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, 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 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 2021 (%)
Mr. ZHANG Bo	Beneficial owner	8,870,000	0.10

Save as disclosed above, as at 31 December 2021, 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.

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 2021.

CONTRACTS OF SIGNIFICANCE

Except for those disclosed in the section "Connected Transactions" and Note 50 to the consolidated financial statements of this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and its controlling shareholder or any of its subsidiaries or for the provision of services to the Company or any of its subsidiaries by its controlling shareholder or any of its subsidiaries during the year ended 31 December 2021.

PERMITTED INDEMNITY PROVISION

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

The Company has purchased and maintained Directors' and senior management liability insurance for the year ended 31 December 2021, which provides appropriate protection over certain legal actions brought against its Directors and senior management.

CONNECTED TRANSACTIONS

The following transactions disclosed in note 50 to the consolidated financial statements constituted non-exempt continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules. As stated in the relevant announcements, the Group has adopted clear pricing policies and guidelines for continuing connected transactions, and adopted procedures for determining the prices and terms of the transactions in accordance with the relevant pricing policies and guidelines, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

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

On 31 January 2019, the Company and Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") entered into an industrial waste service agreement (the "Industrial Waste Service Agreement") for a term commencing on 31 January 2019 and ending on 31 December 2021, pursuant to which Beihai Solid Waste will provide industrial waste collection, transport, storage and disposal services to the Company and its subsidiaries. Pursuant to the renewal mechanism of such agreement, the Company and Beihai Solid Waste entered into the industrial waste service agreement (the "Renewed Industrial Waste Service Agreement") on 23 December 2021, for a term commencing on 1 January 2022 and ending on 31 December 2024. The terms and conditions under the Renewed Industrial Waste Service Agreement are basically the same as those under the Industrial Waste Service Agreement.

The prices of industrial waste collection, transport, storage and disposal services provided by Beihai Solid Waste to the Company are approximately RMB943.40 per ton (VAT exclusive) for electrolytic cell residue and approximately RMB2,830.19 per ton (VAT exclusive) for combustible waste for the period from 1 January 2021 to 31 December 2021, which were determined with reference to the market prices of the same or comparable types of services provided by other independent third parties in the PRC. The prices of such services provided by Beihai Solid Waste to the Company for the financial year ending 31 December 2022 shall be re-determined by the two parties within one month prior to the end of the previous year through negotiation with reference to the then market prices of the same or comparable types of services provided by other independent third parties in the PRC. Beihai Solid Waste, has agreed that, in principle, the prices of such services provided by Beihai Solid Waste to the Company shall not be higher than the then market prices of the same or comparable types of services provided by other independent third parties in the PRC. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Renewed Industrial Waste Service Agreement.

During the Year, the purchase of industrial waste services under the Industrial Waste Service Agreement by the Company from Beihai Solid Waste amounted to RMB162,185,000, which was below the annual cap of RMB205,172,000 for the year 2021.

Beihai Solid Waste is 51.00% and 49.00% owned by Chuangye Group and Binzhou Beihai Jingmai Industry Development Co., Ltd., an independent third party, Chuangye Group was an associate of Mr. Zhang Bo, an executive Director of the Company (together with other members of his family who are jointly interested). Therefore, Beihai Solid Waste is a connected person of the Company under the Listing Rules. The details of the above continuing connected transaction were disclosed in the announcement of the Company dated 31 January 2019 and 23 December 2021.

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

On 31 January 2019, Shandong Hongqiao, an indirect subsidiary of the Company, and Chuangye Group, the Company's connected person, entered into a production water supply agreement (the "Production Water Supply Agreement") for a term commencing on 31 January 2019 and ending on 31 December 2021, pursuant to which Chuangye Group will supply water to the production bases of Shandong Hongqiao located in Zouping City and Weiqiao Town for production uses. Pursuant to the renewal mechanism of such agreement, Shandong Hongqiao and Chuangye Group entered into the production water supply agreement (the "Renewed Production Water Supply Agreement") on 23 December 2021, for a term commencing on 1 January 2022 and ending on 31 December 2024 (both dates inclusive). The terms and conditions under the Renewed Production Water Supply Agreement are basically the same as those under the Production Water Supply Agreement.

The prices of production water supplied by Chuangye Group to Shandong Hongqiao are approximately RMB1.553 per ton (VAT exclusive) for the production water supplied to the production base of Shandong Hongqiao located in Zouping City and approximately RMB1.359 per ton (VAT exclusive) for the production water supplied to the production base of Shandong Hongqiao located in Weiqiao Town for the year ended 31 December 2021, which were determined with reference to the market prices of production water supplied by other independent third parties in Zouping City and Weiqiao Town. The prices of production water supplied by Chuangye Group to Shandong Hongqiao for the financial year ending 31 December 2022 shall be re-determined by the two parties within one month prior to the end of the previous year through negotiation with reference to the then market prices of production water supplied by other independent third parties in Zouping City and Weiqiao Town. Chuangye Group, has agreed that, in principle, the prices of production water supplied by Chuangye Group to Shandong Hongqiao shall not be higher than the then market prices of production water supplied by other independent third parties in Zouping City and Weiqiao Town. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Renewed Production Water Supply Agreement.

During the Year, the purchase of production water under the Production Water Supply Agreement by Shandong Hongqiao (including its related party(ies)) from Chuangye Group amounted to approximately RMB40,595,000, which was below the annual cap of RMB46,440,000 for the year 2021.

Shandong Hongqiao is an indirect subsidiary of the Company. Chuangye Group was an associate of Mr. Zhang Bo, an executive Director of the Company (together with other members of his family who are jointly interested). Therefore, Chuangye Group is a connected person of the Company under the Listing Rules. The details of the above continuing connected transaction were disclosed in the announcement of the Company dated 31 January 2019 and 23 December 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITOR'S CONFIRMATION

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

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

(ii) on normal commercial terms or better; and

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

The auditors of the Company have provided a letter to the Board confirming that, for the year ended 31 December 2021, nothing has come to their attention that causes them to believe that the above continuing connected transactions:

(i) have not been approved by the Board;

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

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

(iv) have exceeded the respective annual caps.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in note 51 to the consolidated financial statements.

DIRECTORS' SECURITIES TRANSACTIONS

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

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 2021 and up to the date of this annual report.

COMPLIANCE WITH PROVISIONS OF THE CG CODE

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules. For the year ended 31 December 2021, 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 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

DEED OF NON-COMPETITION

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

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") in compliance with the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. The Audit Committee meeting was held on 18 March 2022 to review the annual results and the consolidated financial statements of the Group for the year ended 31 December 2021. The Audit Committee considered that the financial results of the Group for the year ended 31 December 2021 were in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

BUSINESS REVIEW AND FUTURE PROSPECT

Business review and future prospect of the Group during the Year is set out in Management Discussion and Analysis on pages 8 to 15 of the annual report.

MAJOR RISKS AND UNCERTAINTIES

Major risks and uncertainties faced by the Group are set out in Management Discussion and Analysis on page 13 of the annual report.

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited ("SHINEWING HK") was the Company's international auditor for the year ended 31 December 2021. A resolution for the re-appointment of SHINEWING HK as the international auditor of the Company will be proposed at the 2021 Annual General Meeting.

On behalf of the Board
Zhang Bo
Chairman

Shandong, the People's Republic of China
18 March 2022

CORPORATE GOVERNANCE

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

The Company has applied the principles as set out in the CG Code.

For the year ended 31 December 2021, the Company has complied with the code provisions of 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 of the CG Code by the Company for the year ended 31 December 2021.

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 2021 and up to the date of this annual report.

THE BOARD

As of the date of this annual report, the Board comprised four 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, Authorised Representative)*
Ms. ZHENG Shuliang *(Vice Chairman)*
Ms. ZHANG Ruilian *(Vice President, Chief Financial Officer)*
Ms. Wong Yuting *(Head of Investor Relations, Head of Corporate Finance)*

Non-executive Directors
Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. LI Zimin *(Mr. ZHANG Hao as his alternate)*
Ms. SUN Dongdong

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

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

Deities of the Board

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

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

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

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

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

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

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

The Board has performed the above corporate governance duties for the year ended 31 December 2021. The Board has reviewed the Company's compliance with the CG Code for the year ended 31 December 2021 and this corporate governance report.

Delegation of management function of the Board

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

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

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

Responsibilities of the Management

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

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

Appointment and re-election of Directors

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

Each of the Directors has entered into a service contract with the Company for a period of three years. Unless terminated by not less than one month's notice in writing served by either the Directors or the Company, the contract will be automatically renewed until terminated in accordance with the terms of the service contract. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association. At the 2020 annual general meeting of the Company on 6 May 2021, Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Li Zimin (Mr. Zhang Hao as his alternate), Ms. Sun Dongdong, Mr. Wen Xianjun, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi were re-elected as the Directors.

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

Induction training and development

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

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. All Directors are encouraged to attend relevant training courses at the Company's expense. From 1 January 2021 to 31 December 2021, all Directors have been required to provide the Company with their training records, and relevant records have been maintained by the company secretary of the Company. All Directors including Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian, Ms. Wong Yuting, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Li Zimin (Mr. Zhang Hao as his alternate), Ms. Sun Dongdong, Mr. Wen Xianjun, Mr. Xing Jian, Mr. Han Benwen, Mr. Dong Xinyi and the company secretary of the Company Ms. Zhang Yuexia attended the training courses or continuing study programmes in relation to corporate governance and management to further enhance their knowledge and skills.

Performance evaluation

The Board recognises the importance and benefits of conducting regular evaluations of performance of the Group to ensure improvement in its functioning. During the year 2021, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

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

During the year ended 31 December 2021, twelve Board meetings were held by the Directors either in person or through other electronic means of communication and the attendance records of individual Directors at the Board meetings and general meetings are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors		
Mr. ZHANG Bo	12/12	2/2
Ms. ZHENG Shuliang	10/12	2/2
Ms. ZHANG Ruilian	11/12	2/2
Ms. WONG Yuting(1)	3/12	1/2
Non-Executive Directors		
Mr. YANG Congsen	10/12	2/2
Mr. ZHANG Jinglei	11/12	2/2
Mr. LI Zimin	8/12	1/2
Mr. ZHANG Hao *(an alternate director to Mr. LI Zimin)*	1/12	0/2
Ms. SUN Dongdong	7/12	2/2
Independent Non-Executive Directors		
Mr. WEN Xianjun	7/12	2/2
Mr. XING Jian	12/12	2/2
Mr. HAN Benwen	12/12	2/2
Mr. DONG Xinyi	12/12	2/2

Note(1) Ms. Wong Yuting was appointed as an executive Director on 20 August 2021.

During the year ended 31 December 2021, the chairman of the Board held one meeting with independent non-executive Directors without the presence of other Directors.

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and the senior management of the Group. Details of the remuneration of each of the Directors, chief executive and five highest paid employees for the year ended 31 December 2021 are set out in notes 12 and 13 to the consolidated financial statements.

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2021 is set out below:

Remuneration bands	**Number of individuals**
HK$1,000,000 to HK$1,500,000 (approximately RMB818,000 to RMB1,226,000)	2

SUBORDINATE COMMITTEES OF THE BOARD

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

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

A. AUDIT COMMITTEE

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

The composition of the Audit Committee

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

Roles and functions

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

The Company's annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee.

The work of the Audit Committee for the year ended 31 December 2021 primarily included reviewing the Group's annual report for the year ended 31 December 2020 and interim report for the six months ended 30 June 2021, and reviewing the effectiveness of the risk management and internal control system and internal audit function of the Company.

Attendance Records of Members at Meetings

During the year ended 31 December 2021, the Audit Committee held two meetings, and the attendance record of members of the Audit Committee at the Audit Committee meetings are set out below:

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

B. REMUNERATION COMMITTEE

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

The composition of the Remuneration Committee

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

Roles and functions

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

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

The work of the Remuneration Committee for the year ended 31 December 2021 primarily included evaluating the performance of the executive Directors, reviewing the remuneration policy of the Company, and reviewing remuneration of the Directors for the year ended 31 December 2021 and making recommendations to the Board.

Attendance Records of Members at Meetings

During the year ended 31 December 2021, the Remuneration Committee held one meeting to fulfill the duties as required aforesaid and the attendance record of members of the Remuneration Committee at the Remuneration Committee meetings are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	1/1
Mr. ZHANG Bo	1/1
Mr. XING Jian	1/1

C. NOMINATION COMMITTEE

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

The composition of the Nomination Committee

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

Roles and functions

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

The work of the Nomination Committee for the year ended 31 December 2021 primarily included reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, assessing the independence of the independent non-executive Directors, and making recommendations to the Board for its consideration regarding the re-election of retiring Directors at the Company's annual general meeting.

Attendance Records of Members at Meetings

During the year ended 31 December 2021, the Nomination Committee held one meeting, and the attendance record of members of the Nomination Committee at the Nomination Committee meetings are set out below:

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

Nomination Policy and Diversity Policy

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

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021.

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

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

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

EXTERNAL AUDITOR

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

The remuneration paid to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2021 amounted to RMB4,200,000 (inclusive of value-added tax) and RMB1,940,000, respectively. For non-audit services, RMB314,950 was performed by an affiliate firm of SHINEWING HK.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

The Board has reviewed the risk management and internal control system of the Group for the year ended 31 December 2021, which covers financial, operational, compliance procedural and risk management functions, and considers them efficient and adequate. Upon review, the Board was also of the view that there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

AMENDMENTS TO ARTICLES OF ASSOCIATION

There was no material change made to the Articles of Association by the Company for the year ended 31 December 2021.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary of the Company, Ms. Zhang Yuexia. The company secretary of the Company reports to the chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the shareholders and the management. For the year ended 31 December 2021, the company secretary of the Company undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

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

OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 68 to 200, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

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

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

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 50 to the consolidated financial statements.

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

KEY AUDIT MATTERS (Continued)

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the carrying amount of the inventories was approximately RMB22,705,105,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the current assets and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2021. We have reviewed the utilisation of inventories and sales contracts awarded and entered into among the Group and the customers. We have also reviewed the subsequent selling prices of the inventories after 31 December 2021 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

IMPAIRMENT ASSESSMENT OF GOODWILL

Refer to note 22 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the carrying amount of goodwill was approximately RMB278,224,000. No impairment loss was recognised for the year ended 31 December 2021. Management's assessment on impairment of goodwill is a judgemental process which requires estimates concerning the forecast future cash flows associated with the relevant cash-generating units, the discount rates and the growth rate of revenue and costs to be applied in determining the value-in-use and fair value less costs of disposal. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact. The extent of judgment and the size of the goodwill resulted in this matter being identified as a key audit matter.	In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of the selection of valuation models, adoption of key assumptions and input data and changes in adoption of key assumptions and input data. In particular, we reviewed the future cash flow forecast prepared by management. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations. We also challenged the discount rates employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the carrying amount of property, plant and equipment amounted to approximately RMB63,441,945,000. An impairment loss on property, plant and equipment of approximately RMB1,483,143,000 and reversal of impairment of property, plant and equipment of approximately RMB171,717,000 was recognised for the year ended 31 December 2021. We have identified the impairment assessment of the property, plant and equipment as a key audit matter since the carrying amount of property, plant and equipment was significant to the consolidated financial statements and significant judgments and estimates have been used by the management and independent valuer in determining the recoverable amount of property, plant and equipment.	We performed physical inspection of major property, plant and equipment, with specific focus on those suspended property, plant and equipment. We obtained valuation report for property, plant and equipment from the Group and considered the objectivity, independence and expertise of the valuer. We assessed the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions, such as cash flow projections and discount rates applied in determining the fair value less cost of disposal. We also performed calculation check on the provision of impairment loss and reversal of impairment loss for the year ended 31 December 2021.

IMPAIRMENT ASSESSMENT OF INTEREST IN AN ASSOCIATE

Refer to note 20 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the carrying amount of the Group's interest in Zouping Binneng Energy Technology Co., Ltd * ("Binneng Energy") 鄒平濱能能源科技有限公司 amounted to approximately RMB2,563,457,000. We have identified the impairment assessment of interest in Binneng Energy as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.	Our procedures were designed to assess the management's process for identifying the existence of impairment indicators for the interest in Binneng Energy and to challenge the reasonableness of the recoverable amount, including projections of cash flows, discount rate and growth rates applied, and future prospects of Binneng Energy.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF LOAN TO AN ASSOCIATE

Refer to note 21 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2021, the Group had a loan provided to Binneng Energy at carrying amount of RMB2,000,000,000. The loan provided to Binneng Energy is assessed for impairment individually and involves significant management judgment in assessing the expected credit loss, based on the historical credit loss experience, forward-looking factors specific to the associate and economic environment and the net realisable value of the underlying collateral received. We have identified the impairment assessment of loan to Binneng Energy as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.	Our procedures were designed to evaluate management's assessment of the credit quality of Binneng Energy by examining the Group's internal credit rating, Binneng Energy's financial information and other relevant information, and checking the existence and recoverable amount of the collateral and the charge over the collateral.

* The English translation is for reference only

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	**114,490,941**	86,144,641
Cost of sales		**(84,037,845)**	(66,789,453)
Gross profit		**30,453,096**	19,355,188
Other income and gains	7	**3,706,677**	2,700,719
Selling and distribution expenses		**(525,709)**	(399,894)
Administrative expenses		**(5,708,346)**	(4,052,174)
Other expenses	8	**(1,690,523)**	(616,586)
Finance costs	9	**(3,625,974)**	(4,506,236)
Changes in fair values of financial instruments	31	**(116,806)**	(291,255)
Share of profits of associates	20	**61,519**	514,588
Profit before taxation		**22,553,934**	12,704,350
Income tax expenses	10	**(5,705,135)**	(2,259,599)
Profit for the year	11	**16,848,799**	10,444,751
Attributable to:			
Owners of the Company		**16,073,342**	10,495,936
Non-controlling interests		**775,457**	(51,185)
		16,848,799	10,444,751
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(65,426)**	(253,876)
Share of other comprehensive expense of associates		**(32,069)**	(108,703)
		(97,495)	(362,579)
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive expense		**(108,960)**	(57,297)
Total comprehensive income for the year, net of income tax		**16,642,344**	10,024,875
Total comprehensive income (expense) for the year attributable to			
Owners of the Company		**15,896,066**	10,175,062
Non-controlling interests		**746,278**	(150,187)
		16,642,344	10,024,875
Earnings per share	15		
– Basic (RMB)		**1.7720**	1.2210
– Diluted (RMB)		**1.7119**	1.2210

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**63,441,945**	64,750,361
Right-of-use assets	17	**5,718,365**	5,646,551
Intangible assets	18	**32,595**	27,429
Investment properties	19	**3,808**	4,053
Deposits paid for acquisition of property, plant and equipment		**636,493**	571,608
Deferred tax assets	39	**2,616,950**	2,886,026
Interests in associates	20	**6,064,998**	6,681,222
Loan to an associate	21	**2,000,000**	–
Goodwill	22	**278,224**	278,224
Financial asset at amortised cost	28	**2,499,000**	2,499,000
Financial assets at fair value through other comprehensive income	23	**1,058,906**	633,652
Prepayment	27	**541,210**	119,260
		84,892,494	84,097,386
CURRENT ASSETS			
Inventories	24	**22,705,105**	19,717,811
Trade receivables	25	**7,284,753**	10,335,568
Bills receivables	26	**11,918,515**	9,157,692
Prepayments and other receivables	27	**10,768,496**	9,126,270
Loan to an associate	21	**–**	2,000,000
Other financial asset	29	**99**	–
Income tax recoverable		**304**	88,814
Restricted bank deposits	30	**1,623,874**	1,542,098
Cash and cash equivalents	30	**49,227,282**	45,465,361
		103,528,428	97,433,614
CURRENT LIABILITIES			
Trade and bills payables	32	**18,735,216**	13,377,069
Other payables and accruals	33	**11,479,959**	12,105,674
Bank borrowings – due within one year	34	**21,010,873**	22,777,400
Other financial liabilities	29	**4,497**	4,942
Lease liabilities	17	**10,372**	25,080
Liability component of convertible bonds – due within one year	38	**1,358,611**	–
Derivatives component of convertible bonds – due within one year	38	**713,086**	–
Income tax payable		**2,719,910**	2,268,635
Short-term debentures and notes	35	**1,500,000**	–
Medium-term debentures and bonds – due within one year	36	**3,598,649**	22,774,698
Guaranteed notes – due within one year	37	**1,908,945**	–
Deferred income	40	**26,514**	17,855
		63,066,632	73,351,353
NET CURRENT ASSETS		**40,461,796**	24,082,261
TOTAL ASSETS LESS CURRENT LIABILITIES		**125,354,290**	108,179,647

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	34	**15,370,878**	11,483,498
Lease liabilities	17	**51,359**	58,609
Liability component of convertible bonds – due after one year	38	**1,633,747**	1,215,939
Derivatives component of convertible bonds – due after one year	38	**241,270**	550,111
Deferred tax liabilities	39	**813,998**	900,344
Medium-term debentures and bonds – due after one year	36	**9,544,944**	13,345,378
Guaranteed notes – due after one year	37	**4,423,886**	3,242,270
Deferred income	40	**835,379**	581,828
		32,915,461	31,377,977
NET ASSETS		**92,438,829**	76,801,670
CAPITAL AND RESERVES			
Share capital	41	**595,139**	579,318
Reserves	42	**80,712,656**	70,616,819
Equity attributable to owners of the Company		**81,307,795**	71,196,137
Non-controlling interests		**11,131,034**	5,605,533
TOTAL EQUITY		**92,438,829**	76,801,670

The consolidated financial statements on pages 68 to 200 were approved and authorised recognised for issue by the board of directors on 18 March 2022 and are signed on its behalf by:

Zhang Bo
Director

Zhang Ruilian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	579,318	20,909,078	(744,064)	789,617	9,448	9,641,780	40,010,960	71,196,137	5,605,533	76,801,670
Profit for the year	-	-	-	-	-	-	16,073,342	16,073,342	775,457	16,848,799
Other comprehensive (expense) income for the year:										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(108,960)	-	-	-	-	(108,960)	-	(108,960)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(36,247)	-	-	(36,247)	(29,179)	(65,426)
Share of other comprehensive expense of associates	-	-	-	-	(32,069)	-	-	(32,069)	-	(32,069)
Total comprehensive (expense) income	-	-	(108,960)	-	(68,316)	-	16,073,342	15,896,066	746,278	16,642,344
Capital contribution	-	-	-	-	-	-	-	-	461,420	461,420
Share of capital reserve of an associate	-	-	-	288	-	-	-	288	-	288
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	(8,987)	(8,987)
Transfer to non-controlling interests	-	-	-	807	-	-	-	807	(807)	-
Step acquisition from associate to subsidiary (note 45)	-	-	-	-	-	-	-	-	87,244	87,244
Change in ownership in interest in subsidiaries (note 47)	-	-	-	(541,130)	-	-	-	(541,130)	4,343,630	3,802,500
Issue of shares (note 41)	15,821	1,924,289	-	-	-	-	-	1,940,110	-	1,940,110
Transfer of reserves	-	-	-	-	-	5,309,265	(5,309,265)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(7,184,483)	(7,184,483)	(103,277)	(7,287,760)
	15,821	1,924,289	-	(540,035)	-	5,309,265	(12,493,748)	(5,784,408)	4,779,223	(1,005,185)
At 31 December 2021	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	559,090	19,311,652	(686,767)	789,317	273,025	8,214,211	34,703,590	63,164,118	2,851,858	66,015,976
Profit (loss) for the year	–	–	–	–	–	–	10,495,936	10,495,936	(51,185)	10,444,751
Other comprehensive (expense) income for the year:										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	–	–	(57,297)	–	–	–	–	(57,297)	–	(57,297)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	(154,874)	–	–	(154,874)	(99,002)	(253,876)
Share of other comprehensive expense of associates	–	–	–	–	(108,703)	–	–	(108,703)	–	(108,703)
Total comprehensive (expense) income	–	–	(57,297)	–	(263,577)	–	10,495,936	10,175,062	(150,187)	10,024,875
Capital contribution	–	–	–	–	–	–	–	–	2,910,080	2,910,080
Share of capital reserve of an associate	–	–	–	300	–	–	–	300	–	300
Partial disposal of a subsidiary (note 46)	–	–	–	–	–	–	–	–	937	937
Issue of shares (note 41)	20,228	1,597,426	–	–	–	–	–	1,617,654	–	1,617,654
Transfer of reserves	–	–	–	–	–	1,427,569	(1,427,569)	–	–	–
Dividends paid (note 14)	–	–	–	–	–	–	(3,760,997)	(3,760,997)	(7,155)	(3,768,152)
	20,228	1,597,426	–	300	–	1,427,569	(5,188,566)	(2,143,043)	2,903,862	760,819
At 31 December 2020	579,318	20,909,078	(744,064)	789,617	9,448	9,641,780	40,010,960	71,196,137	5,605,533	76,801,670

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**22,553,934**	12,704,350
Adjustments for:			
Interest income		**(730,984)**	(620,602)
Finance costs		**3,625,974**	4,506,236
Share of profits of associates		**(61,519)**	(514,588)
Depreciation of property, plant and equipment		**6,516,403**	6,687,620
Depreciation of investment properties		**2,277**	135
Depreciation of right-of-use assets		**188,259**	208,905
Loss on disposal of property, plant and equipment		**12,982**	206,046
Loss on fair values changes of financial instruments		**116,806**	291,255
Gain on bargain purchase	45	**(59,945)**	–
Gain on partial disposal of a subsidiary		**–**	(1,406)
Amortisation of intangible assets		**5,765**	4,463
Amortisation of deferred income		**(40,590)**	(107,050)
Reversal of impairment of property, plant and equipment		**(171,717)**	–
Reversal of write-down of inventories		**(39,108)**	(88,975)
Reversal of impairment of other receivables		**(31,059)**	–
Write-down of inventories		**129,155**	106,227
Impairment loss recognised in respect of trade receivables		**756**	185
Impairment loss recognised in respect of other receivables		**–**	17,297
Impairment loss recognised in respect of goodwill		**–**	330,594
Impairment loss recognised in respect of property, plant and equipment		**1,483,143**	162,283
Impairment loss recognised in respect of right-of-use assets		**77,469**	–
Gain on early termination of lease		**(784)**	–
Loss on fair value changes of previously held equity interest		**13,572**	–
Unrealised foreign exchange gain, net		**(316,709)**	(270,410)
Operating cash flows before movements in working capital		**33,274,080**	23,622,565
(Increase) decrease in inventories		**(3,141,178)**	2,064,523
Decrease (increase) in trade receivables		**3,047,650**	(28,757)
(Increase) decrease in bills receivables		**(2,760,823)**	1,982,083
Increase in prepayments and other receivables		**(2,658,418)**	(2,157,876)
Increase (decrease) in trade and bills payables		**5,265,427**	(4,832,940)
Increase (decrease) in other payables and accruals		**623,816**	(440,735)
Cash generated from operations		**33,650,554**	20,208,863
Income tax paid		**(5,001,029)**	(2,429,786)
NET CASH FROM OPERATING ACTIVITIES		**28,649,525**	17,779,077

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Purchase of financial assets at FVTOCI		**(534,214)**	(397,604)
Transaction costs on purchase of financial assets at FVTOCI		**–**	(4,006)
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment		**(5,999,147)**	(5,267,678)
Placement of restricted bank deposits		**(655,247)**	(1,532,713)
Proceeds from disposal of an associate		**104,562**	–
Net cash outflow arising on partial disposal of a subsidiary		**–**	(261)
Proceeds from disposal of property, plant and equipment		**1,821,160**	2,171,550
Proceeds from disposal of right-of-use assets		**–**	42,021
Proceeds from disposal of non-current assets classified as held for sale		**389,873**	10,127
Addition to right-of-use assets		**(650,695)**	(854,700)
Net cash outflow arising on derecognition of a subsidiary		**(8,987)**	–
Addition to intangible assets		**–**	(7,008)
Interest received		**729,684**	601,341
Withdrawal of restricted bank deposits		**573,471**	1,414,582
Repayment on prior year acquisition of a subsidiary		**–**	(55,500)
Purchases of intangible assets		**(10,931)**	–
Purchases of financial assets at amortised cost		**–**	(1,499,000)
Proceeds from disposal of financial asset at FVTPL		**–**	2,005
Addition of associates		**(454,350)**	(106,142)
Net cash outflows arising from step acquisition from associate to subsidiary	45	**(361,606)**	–
Capital injection to associates		**(407,060)**	(1,490,992)
NET CASH USED IN INVESTING ACTIVITIES		**(5,463,487)**	(6,973,978)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**33,604,801**	40,557,963
Proceeds from placing of shares	**1,971,811**	1,644,087
Proceeds from issuance of medium-term debentures and bonds	**2,000,000**	–
Proceeds from guaranteed notes	**3,230,050**	–
Proceeds from convertible bonds	**1,932,616**	–
Proceeds from issuance of short-term debentures and notes	**1,500,000**	–
Proceeds on disposal of partial interest in subsidiaries without losing control	**3,802,500**	–
Receipt of government grants	**2,800**	135,317
Transaction costs attributable to placing of shares	**(31,701)**	(26,433)
Transaction costs on issuance of medium-term debentures and bonds	**(8,000)**	–
Transaction costs on issue of guaranteed notes	**(27,203)**	–
Transaction costs on issue of convertible bonds	**(28,525)**	–
Transaction costs on issuance of short-term debentures and notes	**(4,500)**	–
Repayment of lease liabilities	**(20,226)**	(31,819)
Interest expense paid	**(4,180,882)**	(4,680,330)
Repayment of bank borrowings	**(31,263,920)**	(38,730,824)
Repayment of other borrowing	**-**	(1,399,600)
Repayment of medium-term debentures and bonds	**(25,049,381)**	(3,760,086)
Contribution from non-controlling interests	**461,420**	2,910,080
Dividends paid	**(7,287,761)**	(3,768,148)
NET CASH USED IN FINANCING ACTIVITIES	**(19,396,101)**	(7,149,793)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,789,937**	3,655,306
Effect of changes in foreign exchange rates	**(28,016)**	(47,061)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**45,465,361**	41,857,116
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**49,227,282**	45,465,361

1. CORPORATE INFORMATION

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

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

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

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

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2021.

Amendments to IFRS 16	Covid-19-Related rent Concessions
Amendments to IFRS 9, International Accounting Standards ("IAS") 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures.

As at 1 January 2021, the Group has several financial liabilities and derivatives, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	GBP London Interbank Offered Rate ("LIBOR") RMB'000
Financial liabilities	
– Bank borrowings	4,785,619
Derivatives	
– Interest rate swaps contracts	900,907

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by IFRS 7 are set out in the note 44.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs and other cost necessary to sell inventories.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments[3]
Amendments to IFRS 3	Reference to Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IFRS 17	Comparative Information[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract[2]
Amendment to IFRSs	Annual improvement to IFRSs 2018-2020 cycle[2]

1 Effective for annual periods beginning on or after 1 April 2021.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 Effective for annual periods beginning on or after a date to be determined.

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

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update a reference to IFRS 3 so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010). They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of International Financial Report Interpretations Committee Interpretations ("IFRIC-Int") 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

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

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

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

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

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

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

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

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

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

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

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

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

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

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

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

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

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

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

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

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments to IAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

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

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Business combinations (Continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

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

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

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

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

The Group's policy for goodwill relating to an associate is set out in "interests in associates" below.

Interests in associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract liabilities

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

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

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

Sales of goods

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

Revenue from sales of steam are recognised at a point in time and based on water consumption derived from meter readings.

Revenue from sales of electricity are recognised at a point in time and based on electricity consumption derived from meter readings.

Leasing

Definition of a lease

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

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

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

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

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

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

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

Right-of-use assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease modification

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

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

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

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

Government grants

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

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

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

Retirement benefits costs and termination benefits

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

Property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and buildings

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

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

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

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

Investment properties

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

If an item of property, plant and equipment and right-of-use assets become an investment property when there is a change in use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets-research and development expenditure

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets-research and development expenditure (Continued)

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

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

Intangible asset acquired in a business combination

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

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

Inventories

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

Cash and cash equivalents

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

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

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

Financial assets

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Amortised cost and effective interest method

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

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

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

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

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 7).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments as at FVTOCI

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

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

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

Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item. Fair value is determined in the manner described in note 44.

A financial asset is held for trading if:

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

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

- it is a derivative.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Significant increase in credit risk (Continued)

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in note 16, formal titles of certain of the Group's rights to the use of the land and buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of Company determine to recognise these lands and buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these lands and buildings. In the opinion of the directors of Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

Controls in subsidiaries

As per note 54 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even though the Group has only a 26.64% (2020: 28.18%) ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange. The Group has had 28.18% ownership interest since May 2017 and the remaining 71.82% of the ownership interests were held by numerous shareholders that were unrelated to the Group. During the year ended 31 December 2021, the ownership interest was diluted from 28.18% to 26.64% upon partial disposal of a subsidiary.

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

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

Critical judgements in applying accounting policies (Continued)

Withholding tax provision on profit appropriation

The Group provides for withholding taxes of 10% on certain of its PRC subsidiaries' distributable profits generated from 1 January 2011 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2021, the amounts provided for withholding tax was approximately RMB589,717,000 (2020: RMB627,965,000). Further details are given in note 39 to the consolidated financial statements.

Related party transactions

As per note 50 to the consolidated financial statements, the directors of the Company considered various entities, which are either associates of the Group or companies controlled or significantly influenced by a controlling shareholder of the Company, are related parties of the Group.

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

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. The carrying amount of goodwill at 31 December 2021 was approximately RMB278,224,000 (2020: RMB278,224,000), net of accumulated impairment losses of approximately RMB1,656,233,000 (2020: RMB1,656,233,000). Further details are given in note 22.

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

Key sources of estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses and decelerated tax depreciation at 31 December 2021 were approximately RMB771,861,000 (2020: RMB660,633,000) and approximately RMB183,644,000 (2020: RMB404,978,000), respectively. The amount of unrecognised tax losses at 31 December 2021 was approximately RMB1,742,544,000 (2020: RMB767,238,000). Further details are contained in note 39.

PRC Corporate Income Tax ("PRC CIT")

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

Carrying amount of property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB63,441,945,000 (2020: RMB64,750,361,000, net of accumulated impairment of property, plant and equipment of approximately RMB3,462,858,000 (2020: RMB1,979,715,000) and identify if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value-in-use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

Based on the directors' assessment of recoverable amount of each CGU and with reference to fair values of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB1,483,143,000 (2020: RMB162,283,000) and reversal of impairment loss on property, plant and equipment of approximately RMB171,717,000 (2020: nil), no write-off of property, plant and equipment was recognised for the years ended 31 December 2021 and 2020.

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

Key sources of estimation uncertainty (Continued)

Estimated useful life of property, plant and equipment

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment as at 31 December 2021 are RMB63,441,945,000 (2020: RMB64,750,361,000).

Impairment of trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021, the carrying amount of trade receivables was approximately RMB7,284,753,000 (2020: RMB10,335,568,000), net of allowance for impairment loss of approximately RMB7,942,000 (2020: RMB7,186,000).

Impairment assessment of interest in an associate

The carrying amount of the interest in an associate is tested for impairment as a single asset. Determining whether interest in an associate is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in an associate. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the associate and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2021, the carrying amount of interest in an associate was RMB2,563,457,000 (2020: RMB2,650,944,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2021 and 2020.

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

Key sources of estimation uncertainty (Continued)

Impairment assessment of loan to an associate

The impairment assessment of loan to an associate is based on (i) assumptions about ECL and (ii) the net realisable value of the underlying collateral received. The Group uses judgement in making assumptions and selecting the inputs to the ECL calculation including the associates historical credit loss experience and forward-looking information at the end of the reporting period. Changes in assumption and selection of data inputs by result in significant change in carrying amount of the loan to associate. As at 31 December 2021, the carrying amount of loan to an associate amounted to RMB2,000,000,000 (2020: RMB2,000,000,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2021 and 2020.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2021, the carrying amount of inventories and accumulated write-down of inventories was approximately RMB22,705,105,000 (2020: RMB19,717,811,000), and RMB200,627,000 (2020: RMB110,580,000) respectively.

Fair value of derivatives component of convertible bonds

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amounts of derivatives component of convertible bonds of approximately RMB954,356,000 (2020: RMB550,111,000) as at 31 December 2021 are set out in note 38.

5. REVENUE

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

	2021 RMB'000	2020 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**79,471,503**	59,363,115
– aluminum alloy ingots	**4,841,490**	3,894,084
– aluminum fabrication	**12,523,879**	8,781,080
– alumina	**16,966,928**	13,486,945
Steam supply income	**687,141**	619,417
	114,490,941	86,144,641

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

	2021 RMB'000	2020 RMB'000
Geographical region		
The PRC	**109,884,370**	82,342,173
India	**1,045,921**	839,287
Europe	**924,082**	715,969
Malaysia	**319,672**	650,694
Southeast Asia	**646,816**	614,070
North America	**1,218,545**	557,596
Others	**451,535**	424,852
Total	**114,490,941**	86,144,641
Type of customers		
Government related	**231**	2,481
Non-government related	**114,490,710**	86,142,160
Total	**114,490,941**	86,144,641
Sales channels		
Direct sales	**114,490,941**	86,144,641

6. SEGMENT INFORMATION

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

Geographic information

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

	Non-current assets	
	2021	2020
	RMB'000	RMB'000
PRC	**69,453,237**	70,745,770
Indonesia	**6,563,074**	6,615,199
	76,016,311	77,360,969

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

Information about major customers

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

	2021	2020
	RMB'000	RMB'000
Customer A	**43,828,329**	33,645,435

7. OTHER INCOME AND GAINS

	2021 RMB'000	2020 RMB'000
Bank interest income	**234,049**	166,393
Other interest income	**199,158**	214,838
Investment income	**182,997**	105,802
Interest income from an associate	**114,780**	133,569
Gain from sales of raw materials and scraps materials	**1,136,123**	696,089
Gain from sales of slag of carbon anode blocks	**973,663**	654,964
Gain on partial disposal of a subsidiary (note 46)	**–**	1,406
Reversal of write-down of inventories (note (i))	**39,108**	88,975
Reversal of impairment of other receivables	**31,059**	–
Reversal of impairment of property, plant and equipment (note 16)	**171,717**	–
Amortisation of deferred income (note 40)	**40,590**	107,050
Foreign exchange gain, net	**393,892**	320,832
Rental income for investment properties under operating lease that lease payments are fixed	**7,536**	–
Other tax refunded (note (ii))	**–**	63,849
Gain on early termination of lease	**784**	–
Gain on acquisition from associate to subsidiary	**46,373**	–
Others	**134,848**	146,952
	3,706,677	2,700,719

Notes:

(i) A reversal of write-down of inventories of approximately RMB39,108,000 (2020: RMB88,975,000) was recognised as the corresponding inventories were either sold at profit or used.

(ii) In August 2019, the Group suffered heavy losses due to severe natural disasters caused by serious typhoon in the PRC and then were successfully claimed and received other tax refunded from the PRC local tax authority of approximately RMB63,849,000 in 2020.

8. OTHER EXPENSES

	2021 RMB'000	2020 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note 16)	**1,483,143**	162,283
Impairment loss recognised in respect of right-of-use assets (note 17)	**77,469**	–
Impairment loss recognised in respect of goodwill (note 22)	**–**	330,594
Impairment loss recognised in respect of other receivables (note 27)	**–**	17,297
Impairment loss recognised in respect of trade receivables (note 25)	**756**	185
Write-down of inventories (note 24)	**129,155**	106,227
	1,690,523	616,586

9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses on bank borrowings	**1,826,233**	1,762,740
Interest expenses on other borrowing	**–**	63,960
Interest expenses on short-term debentures and notes	**14,128**	–
Interest expenses on medium-term debentures and bonds	**1,166,171**	2,184,942
Interest expenses on guaranteed notes	**351,229**	261,003
Interest expenses on convertible bonds	**394,141**	229,958
Interest expenses on lease liabilities	**2,453**	3,633
Total interest expense for financial liabilities not measured at FVTPL	**3,754,355**	4,506,236
Less: amounts capitalised in the cost of qualifying assets	**(128,381)**	–
	3,625,974	4,506,236

Borrowing costs capitalised during the year arose on the specific borrowing pool.

10. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**5,405,966**	2,842,822
– Indonesia Corporate Income Tax	**137,070**	39,550
Over provision in prior year		
– Hong Kong Profits Tax	**(20,631)**	–
	5,522,405	2,882,372
Deferred taxation	**182,730**	(622,773)
Total income tax expenses for the year	**5,705,135**	2,259,599

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2021 and 2020 as there were no assessable profits generated during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. During the years ended 31 December 2021 and 2020, two PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" and complied the requirements of tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2020: 15%).

10. INCOME TAX EXPENSES (Continued)

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

Under the Government Regulation (in Lieu of Law) No. 1 of 2020 issued, corporate income tax rate was reduced from the current rate of 25% to 22% for fiscal year 2020 and 2021 and to 20% starting fiscal year 2022. A subsidiary operating in Indonesia was subject to corporate income tax rate of Indonesia at 22% (2020: 22%) for the year ended 31 December 2021.

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax rate of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. The PRC dividend withholding tax rate was changed from 5% to 10% due to the applicability of the Sino-Hong Kong tax treaty during the year ended 31 December 2015. An amount of deferred tax liability of approximately RMB38,248,000 (2020: RMB224,666,000) was recognised in respect of the PRC subsidiaries' undistributed profits.

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

	2021 **RMB'000**	2020 RMB'000
Profit before taxation	**22,553,934**	12,704,350
Tax at the domestic income tax rate of 25% (note i)	**5,638,484**	3,176,088
Tax effect of income not taxable for tax purpose	**(105,788)**	(86,935)
Tax effect of expenses not deductible for tax purpose	**290,763**	284,295
Tax effect of tax losses not recognised	**272,613**	37,921
Utilisation of tax losses previously not recognised	**(57,677)**	(1,081,260)
Overprovision in respect of prior years	**(20,631)**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**7,682**	(26,937)
Effect of income tax on concessionary rate	**(54,009)**	(7,785)
Tax effect of share of profits of associates	**(15,380)**	(128,647)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**(38,248)**	224,666
Tax effect of super deduction from research and development expenses	**(212,674)**	(131,807)
Income tax expenses for the year	**5,705,135**	2,259,599

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

Details of the deferred taxation are set out in note 39.

11. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	**7,579**	3,972
Salaries and allowances (excluding directors' and chief executive's emoluments)	**3,702,328**	3,224,730
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**264,522**	140,329
Total staff costs	**3,974,429**	3,369,031
Auditor's remuneration	**4,200**	4,200
Amortisation of intangible assets	**5,765**	4,463
Cost of inventories recognised as an expense excluded tax	**82,885,582**	65,934,553
Depreciation of property, plant and equipment	**6,516,403**	6,687,620
Depreciation of investment properties	**2,277**	135
Depreciation of right-of-use assets	**188,259**	208,905
Loss on disposal of property, plant and equipment	**12,982**	206,046
Research and development expenses (note)	**850,696**	702,971
Gross rental income from investment properties	**7,536**	–
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**–**	–
	7,536	–

Note: Included in research and development expenses was staff cost of approximately RMB121,293,000 (2020: RMB119,374,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 12 (2020: 9) directors and the chief executive were as follows:

	Executive directors				Non-executive directors					Independent non-executive directors				
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting [1] RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong [4] (Zhang Hao as his alternative) RMB'000	Li Zimin [2] (Zhang Hao as his alternative) RMB'000	Sun Dongdong [3] RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Wen Xianjun [3] RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2021														
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings														
Fees	500	800	500	183	600	300	22	278	248	200	200	200	165	4,196
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
– Salaries, bonus and allowances	62	166	99	2,739	126	-	-	-	104	-	-	-	-	3,296
– Retirement benefit scheme contributions	-	15	14	30	14	-	-	-	14	-	-	-	-	87
	562	981	613	2,952	740	300	22	278	366	200	200	200	165	7,579

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

	Executive directors			Non-executive directors			Independent non-executive directors			
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong[4] (Zhang Hao as his alternate) RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2020										
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings										
Fees	500	800	500	600	300	300	200	200	200	3,600
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings										
Other emoluments										
– Salaries and allowances	45	134	83	98	–	–	–	–	–	360
– Retirement benefit scheme contributions	–	4	4	4	–	–	–	–	–	12
	545	938	587	702	300	300	200	200	200	3,972

1. Appointed on 20 August 2021.
2. Appointed on 27 January 2021.
3. Appointed on 5 March 2021.
4. Resigned on 27 January 2021.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

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

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

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2021 and 2020.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2020: three) individuals were as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	**3,361**	2,926
Retirement benefits scheme contributions	**99**	97
	3,460	3,023

Their emoluments were within the following bands:

	No. of employee	
	2021	2020
Nil to HK$1,000,000 (nil to approximately RMB818,000)	**1**	1
HK$1,000,001 to HK$1,500,000 (approximately RMB818,000 to RMB1,226,000)	**2**	2
	3	3

14. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends recognised as distribution during the year	**7,184,483**	3,760,997

Subsequent to the end of the reporting period, a final dividend of HK60 cents per share in respect of the year ended 31 December 2021 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

During the current year, a final dividend of HK50 cents per share in respect of the year ended 31 December 2020 and an interim dividend of HK45 cents per share in respect of the six months ended 30 June 2021 had been approved and paid.

During the year ended 31 December 2020, a final dividend of HK34 cents per share in respect of the year ended 31 December 2019 and an interim dividend of HK15 cents per share in respect of the six months ended 30 June 2020 had been approved and paid.

15. EARNINGS PER SHARE

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

	2021 RMB'000	2020 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**16,073,342**	10,495,936
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**394,141**	–
Changes in fair values of derivatives component of convertible bonds	**117,350**	–
Exchange gain on translation of convertible bonds	**(55,277)**	–
Earnings for the purpose of diluted earnings per share	**16,529,556**	10,495,936

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,070,755**	8,596,057
Effect of dilutive potential ordinary shares:		
Convertible bonds	**585,087**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,655,842**	8,596,057

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Aircraft RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2020	39,541,128	70,750,707	90,794	79,273	–	2,256,475	112,718,377
Additions	41,858	100,405	2,003	1,399	–	4,650,696	4,796,361
Transfer	1,612,505	1,340,542	–	–	–	(2,953,047)	–
Transfer to investment properties (note 19)	(3,278)	–	–	–	–	–	(3,278)
Disposal of a subsidiary (note 46)	(1,550)	(718)	–	(5)	–	(9,027)	(11,300)
Disposals	(687,838)	(11,211,238)	–	(6,151)	–	–	(11,905,227)
Exchange realignment	(307,226)	(109,430)	(826)	(788)	–	(1,090)	(419,360)
At 31 December 2020 and 1 January 2021	40,195,599	60,870,268	91,971	73,728	–	3,944,007	105,175,573
Additions	132,031	201,133	3,833	26,011	353,851	4,791,158	5,508,017
Transfer	540,066	1,218,767	2,748	–	–	(1,761,581)	–
Acquired on step acquisition from associate to subsidiary (note 45)	36,287	4,619	134	–	–	1,408,809	1,449,849
Disposals	(78,064)	(1,026,279)	(514)	(7,101)	–	–	(1,111,958)
Exchange realignment	(80,654)	(28,617)	(397)	(149)	(58)	(24,045)	(133,920)
At 31 December 2021	40,745,265	61,239,891	97,775	92,489	353,793	8,358,348	110,887,561
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2020	10,075,361	31,088,055	66,267	43,054	–	426,266	41,699,003
Provided for the year	1,509,509	5,158,694	10,229	9,188	–	–	6,687,620
Impairment loss recognised in profit or loss	67,808	94,241	215	19	–	–	162,283
Transfer to investment properties (note 19)	(2,143)	–	–	–	–	–	(2,143)
Disposal of a subsidiary (note 46)	(117)	(107)	–	–	–	–	(224)
Eliminated on disposals	(575,870)	(7,446,358)	–	(5,403)	–	–	(8,027,631)
Exchange realignment	(61,360)	(31,127)	(743)	(466)	–	–	(93,696)
At 31 December 2020 and 1 January 2021	11,013,188	28,863,398	75,968	46,392	–	426,266	40,425,212
Provided for the year	1,546,805	4,950,326	8,975	6,365	3,932	–	6,516,403
Impairment loss recognised in profit or loss	1,022,839	460,304	–	–	–	–	1,483,143
Reversal of impairment loss	(74,794)	(96,845)	–	(78)	–	–	(171,717)
Eliminated on disposals	(26,602)	(745,402)	(421)	(5,391)	–	–	(777,816)
Exchange realignment	(19,403)	(9,764)	(299)	(93)	(50)	–	(29,609)
At 31 December 2021	13,462,033	33,422,017	84,223	47,195	3,882	426,266	47,445,616
CARRYING VALUES							
At 31 December 2021	27,283,232	27,817,874	13,552	45,294	349,911	7,932,082	63,441,945
At 31 December 2020	29,182,411	32,006,870	16,003	27,336	–	3,517,741	64,750,361

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

At 31 December 2021, certain of the Group's buildings with a net carrying amount of approximately RMB11,803,565,000 (2020: RMB12,203,099,000) were pledged to secure bank borrowings of the Group (note 34).

There are properties with a carrying amount of approximately RMB4,511,766,000 (2020: RMB4,681,319,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets.

During the year ended 31 December 2021, due to the relocation of certain plant and equipment, the directors of the Company suspended certain plant and equipment and conducted a review and determined that a number of those assets were impaired. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets were impaired to their recoverable amount of approximately RMB2,376,345,000, which is their carrying values at year end and the impairment of RMB1,483,143,000 has been recognised in profit or loss within the relevant functions to which these assets relate during the year.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2020, due to the coal consumption reduction alternative work programme introduced by the relevant governmental regulations, the directors of the Company suspended certain plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets were impaired to their recoverable amount of approximately RMB6,230,849,000, which is their carrying values at year end and the impairment of approximately RMB162,283,000 was recognised in profit or loss within the relevant functions to which these assets relate during the year.

The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuations carried out on 31 December 2021 and 2020 were performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar property, plant and equipment in the relevant industries.

The Group recognised amount of approximately RMB171,717,000 (2020: nil) in respect of the reversal of property, plant and equipment which were sold at profit for the year ended 31 December 2021.

There were no transfers between levels of fair value hierarchy during the year.

17. LEASES

(i) Right-of-use assets

	Land use rights RMB'000	Properties RMB'000	Vessels, crew boats and crane barge RMB'000	Total RMB'000
COST				
As at 1 January 2020	5,233,587	90,826	22,672	5,347,085
Additions	735,440	25,980	–	761,420
Disposals	(56,477)	–	–	(56,477)
Disposal of a subsidiary (note 46)	(10,690)	–	–	(10,690)
Transfer to investment properties (note 19)	(4,312)	–	–	(4,312)
Exchange realignment	(1,912)	(176)	(1,684)	(3,772)
At 31 December 2020 and 1 January 2021	5,895,636	116,630	20,988	6,033,254
Additions	228,745	19,891	–	248,636
Acquired on step acquisition from associate to subsidiary (note 45)	112,264	–	–	112,264
Transfer to investment properties (note 19)	(191,369)	–	–	(191,369)
Transfer from investment properties (note 19)	164,376	–	–	164,376
Early termination of lease	–	(39,159)	–	(39,159)
Modification of lease term	–	6,054	–	6,054
Exchange realignment	(502)	(104)	(798)	(1,404)
At 31 December 2021	6,209,150	103,312	20,190	6,332,652
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January 2020	172,451	16,646	5,573	194,670
Depreciation for the year	176,034	24,641	8,230	208,905
Eliminated on disposals	(14,456)	–	–	(14,456)
Disposal of a subsidiary (note 46)	(298)	–	–	(298)
Transfer to investment properties (note 19)	(1,259)	–	–	(1,259)
Exchange realignment	–	(132)	(727)	(859)
At 31 December 2020 and 1 January 2021	332,472	41,155	13,076	386,703
Depreciation for the year	165,095	15,403	7,761	188,259
Early termination of lease	–	(12,452)	–	(12,452)
Impairment loss recognised in profit or loss	77,469	–	–	77,469
Transfer to investment properties (note 19)	(24,961)	–	–	(24,961)
Exchange realignment	–	(84)	(647)	(731)
At 31 December 2021	550,075	44,022	20,190	614,287
CARRYING VALUES				
At 31 December 2021	5,659,075	59,290	–	5,718,365
At 31 December 2020	5,563,164	75,475	7,912	5,646,551

17. LEASES (Continued)

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

As at 31 December 2021, right-of-use assets of RMB5,659,075,000 (2020: RMB5,563,164,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. As at 31 December 2021, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB303,713,000 (2020: RMB599,505,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

During the year ended 31 December 2021, the Group terminated the lease of two office premises and derecognised right-of-use assets and lease liabilities of approximately RMB26,707,000 and RMB27,491,000 respectively, resulting in a gain on early termination of lease of approximately RMB784,000 being recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

During the year ended 31 December 2021, due to the sale and purchase of two land use rights within the group entities, the directors of the Company have conducted a review of the two land use rights and determined that they were impaired. The recoverable amounts of the two land use rights were determined on the basis of their fair value less costs of disposal. Market comparison approach is used to measure the fair value less costs of disposal of the land use rights which is based on the recent transaction prices for similar land use rights adjusted for nature, location and conditions of the land use rights. The fair value measurement is categorised into Level 2 fair value hierarchy. The relevant assets were impaired to their recoverable amount of approximately RMB539,951,000 (2020: nil), which is their carrying values at year end and the impairment of RMB77,469,000 (2020: nil) has been recognised in profit or loss within the relevant functions to which these assets relate during the year.

The recoverable amounts of the two land use rights at 31 December 2021 were arrived at on the basis of a valuation carried out on that date by Shandong Xintiandi Assets Appraisal Co., Ltd. * ("Shandong Xintiandi") 山東新天地土地房地產資產評估有限公司, an independent qualified professional valuer not connected with the Group. Shandong Xintiandi has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations. There were no transfers between levels of fair value hierarchy during the year.

The Group has lease arrangements for office premises, factories, vessels, crew boats and crane barges. The lease terms are generally ranged from 2 to 20 years (2020: ranged from 2 to 20 years).

At 31 December 2021, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB499,916,000 (2020: RMB293,636,000) were pledged to secure bank borrowings of the Group (note 34).

* The English translation is for reference only.

17. LEASES (Continued)

(ii) Lease liabilities

	2021 RMB'000	2020 RMB'000
Non-current	**51,359**	58,609
Current	**10,372**	25,080
	61,731	83,689

Amounts payable under lease liabilities

	2021 RMB'000	2020 RMB'000
Within one year	**10,372**	25,080
After one year but within two years	**7,891**	12,308
After two years but within five years	**12,409**	10,203
After five years	**31,059**	36,098
	61,731	83,689
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(10,372)**	(25,080)
Amount due for settlement after 12 months	**51,359**	58,609

During the year ended 31 December 2021, the Group entered into a new lease agreement in respect of factory and modified a lease agreement for office premises and recognised lease liability of approximately RMB25,945,000 (2020: a new lease agreement in respect of factory of approximately RMB25,908,000).

(iii) Amounts recognised in profit or loss

	Year ended	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Interest expense on lease liabilities	**2,453**	3,633

17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2021, the total cash outflow for leases amounted to approximately RMB22,679,000 (2020: RMB35,452,000).

Restrictions or covenants on leases

As at 31 December 2021, lease liabilities of RMB61,731,000 are recognised with related right-of-use assets of RMB59,290,000 (2020: lease liabilities of RMB83,689,000 and related right-of-use assets of RMB75,475,000). The lease agreements do not impose any covenants and restriction.

18. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2020	32,595
Additions	7,008
At 31 December 2020 and 1 January 2021	39,603
Additions	10,931
At 31 December 2021	50,534
ACCUMULATED AMORTISATION	
At 1 January 2020	7,711
Provided for the year	4,463
At 31 December 2020 and 1 January 2021	12,174
Provided for the year	5,765
At 31 December 2021	17,939
CARRYING VALUES	
At 31 December 2021	32,595
At 31 December 2020	27,429

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

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

19. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2020	–
Transfer from owner-occupied properties (note 16)	1,135
Transfer from right-of-use assets (note 17)	3,053
At 31 December 2020 and 1 January 2021	4,188
Transfer from right-of-use assets (note 17)	166,408
Transfer to right-of-use assets (note 17)	(166,408)
At 31 December 2021	4,188
ACCUMULATED DEPRECIATION	
At 1 January 2020	–
Provided for the year	135
At 31 December 2020 and 1 January 2021	135
Provided for the year	2,277
Transfer to right-of-use assets (note 17)	(2,032)
At 31 December 2021	380
CARRYING VALUES	
At 31 December 2021	3,808
At 31 December 2020	4,053

During the year ended 31 December 2021, the Group transferred a property with carrying amounts of approximately RMB166,408,000 from right-of-use assets to investment property due to the change in use, which evidenced by inception of an operating lease to another party. Such investment property were then transferred to the right-of-use assets upon early termination of the operating lease.

During the year ended 31 December 2020, the Group had transferred a property with carrying amounts of approximately RMB1,135,000 and RMB3,053,000 from property, plant and equipment and right-of-use assets respectively to investment properties due to the change in use, which evidenced by inception of an operating lease to another party.

The fair value of the Group's investment properties as at 31 December 2021 was approximately RMB7,340,000 (2020: RMB7,800,000). The fair value has been arrived at with reference to a valuation carried out by ZhongJing Minxin (Beijing) Assets Appraisal Co., Ltd., an independent qualified professional valuer, not connected to the Group. The fair value was determined with reference to recent market prices for similar properties in similar locations and conditions. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The above investment properties are depreciated on a straight-line basis over the terms of the lease of 5 years.

The fair value hierarchy as at 31 December 2021 of the investment properties of the Group were at Level 3. There were no transfers between levels of fair value hierarchy during the year.

19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2021 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2021 RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Investment properties	Level 3	7,340 (2020: 7,800)	Income approach – by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value

20. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Costs of investments in associates	**3,360,435**	4,036,695
Share of profits and other comprehensive income, net of dividends received	**2,003,236**	1,926,788
	5,363,671	5,963,483
Loan to an associate	**701,327**	717,739
	6,064,998	6,681,222

The loan to an associate of US$110,000,000, equivalent to approximately RMB701,327,000, (2020: US$110,000,000, equivalent to approximately RMB717,739,000) is unsecured, interest-free and repayable after one year.

The Group's payable balances with the associates are disclosed in note 50.

20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2021 and 2020, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2021	2020	**2021**	2020	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Zhongheng Xieli Investment Co., Ltd. * 中衡協力投資有公司	Established	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Inactive
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Shandong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material") * 山東創新炭材料有限公司	Incorporated	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Trading of carbon
Winning Consortium Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**29%**	29%	**29%**	29%	Railway design and construction
Shandong Weiqiao Luhui Renewable Resources Technology Co., Ltd. * 山東魏橋綠匯再生資源科技有限公司	Incorporated	PRC	PRC	Ordinary	**-** (note iii)	20%	**-** (note iii)	20%	Magnesium sulfite utilisation
Shandong Weiqiao Kuaike Environmental Protection Technology Co., Ltd. * 山東魏橋快刻環保科技有限公司	Incorporated	PRC	PRC	Ordinary	**40%**	40%	**40%**	40%	Green facilities innovation
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy") * 鄒平濱能能源科技有限公司	Incorporated	PRC	PRC	Ordinary	**45%**	45%	**45%**	45%	Trading of electricity
Beijing Honghua Zhida Technology Development Co., Ltd. * ("Honghua Zhida") 北京宏華智達科技發展有限公司	Incorporated	PRC	PRC	Ordinary	**-** (note ii)	45%	**-** (note ii)	45%	Technology promotion and development
Shandong Zhilu High Performance Alloy Material Co., Ltd. * 山東智鋁高性能合金材料有限公司	Incorporated	PRC	PRC	Ordinary	**35%**	35%	**35%**	35%	Trading of light alloy materials

20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2021 and 2020, the Group had interests in the following material associates: (Continued)

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2021	2020	**2021**	2020	
Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd. ("Weiqiao Haiyi") * 山東魏橋海逸環保科技有限公司	Incorporated	PRC	PRC	Ordinary	**30%**	30%	**30%**	30%	Waste recycling
Suzhou Aojie Auto Technology Co., Ltd. * ("Suzhou Aojie") 蘇州奧傑汽車技術股份有限公司	Incorporated	PRC	PRC	Ordinary	**- (note iii)**	14.13%	**- (note iii)**	20% (note i)	Design and consulting service of motor vehicles
Winning Consortium Simandou Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Railway operation
Winning Consortium Simandou Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of iron ore
Winning Consortium Simandou Ports Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Ports operation
Shandong High-end Aluminum Community Management Operation Co., Ltd.. * ("Shandong High-end Aluminum Community") 山東省高端鋁共同體管理運營有限公司	Incorporated	PRC	PRC	Ordinary	**19.27%**	–	**28.57% (note iv)**	–	Inactive
Lightweight (Shandong) Investment Partnership (Limited Partnership) * 輕量化(山東)投資合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	**49.5%**	–	**49.5%**	–	Research and development of lightweight products.
Shandong Binhong Photovoltaic New Energy Co., Ltd * 山東濱宏光伏新能源有限公司	Incorporated	PRC	PRC	Ordinary	**20%**	–	**20%**	–	Inactive
Beijing Honghua Science and Technology Innovation No. 1 Enterprise Management Partnership (Limited Partnership) * 北京宏華科創一號企業管理合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	**46.7%**	–	**46.7%**	–	Business advisory

20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2021 and 2020, the Group had interests in the following material associates: (Continued)

Notes:

i. The Group is able to exercise significant influence over Suzhou Aojie because it has the power to appoint one out of the five directors of that company under the provisions stated in the Articles of Association of that company.

ii. The remaining interest of the associate was acquired by the Group during the year ended 31 December 2021. Details are set out in note 45.

iii. Disposed during the year ended 31 December 2021.

iv. The Group is able to exercise significant influence over Shandong High-end Aluminum Community because it has the power to appoint two out of the seven directors of that company under the provisions stated in the Articles of Association of that company.

* The English translation is for reference only.

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

ABM

	2021 **RMB'000**	2020 RMB'000
Current assets	**8,585,780**	8,283,257
Non-current assets	**616**	630
Current liabilities	**(1,853,119)**	(2,113,492)
Non-current liabilities	**(701,327)**	(717,739)
Revenue	**5,964,689**	6,232,162
Profit for the year	**698,392**	187,841
Other comprehensive expense for the year	**(119,098)**	(391,121)
Total comprehensive income (expense) for the year	**579,294**	(203,280)
Elimination of unrealised profits	**(84,689)**	–

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

	2021 **RMB'000**	2020 RMB'000
Net assets of the associate	**6,031,950**	5,452,656
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**1,507,988**	1,363,164

20. INTERESTS IN ASSOCIATES (Continued)

Binneng Energy

	2021 RMB'000	2020 RMB'000
Non-current assets	**11,900,941**	12,667,702
Current assets	**6,732,286**	2,555,801
Non-current liabilities	**(7,238,072)**	(6,250,000)
Current liabilities	**(5,698,583)**	(3,082,405)
Revenue	**12,340,113**	9,757,846
(Loss) profit for the year and total comprehensive (expense) income for the year	**(194,526)**	991,660
Elimination of unrealised profits	**18,810**	(18,810)

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

	2021 RMB'000	2020 RMB'000
Net assets of the associate	**5,696,572**	5,891,098
Proportion of the Group's ownership interest in Binneng Energy	**45%**	45%
Carrying amount of the Group's interest in Binneng Energy	**2,563,457**	2,650,994

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

	2021 RMB'000	2020 RMB'000
The Group's share of profit	**36,581**	39,252
The Group's share of other comprehensive expense	**(2,295)**	(10,923)
The Group's share of total comprehensive income	**34,286**	28,329
Elimination of realised profits	**3,756**	939

	2021 RMB'000	2020 RMB'000
Carrying amount of the Group's interests in immaterial associates	**1,292,226**	1,949,325

In the prior year, the Group held a 14.13% interest in Suzhou Aojie and accounted for the investment as an associate. During the year, the Group disposed of 14.13% interest in Suzhou Aojie to Lightweight (Shandong) Investment Partnership (Limited Partnership), an associate of the Group, for a consideration of RMB104,562,000. No gain or loss was recognised in profit or loss for the year ended 31 December 2021.

21. LOAN TO AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Non-current portion		
Loan to an associate	**2,000,000**	–
Current portion		
Loan to an associate	**–**	2,000,000

The balance of loan to an associate was secured by plant and equipment of the associate, bearing interest at 6% (2020: 6%) per annum and repayable on 20 June 2025 (2020: 20 June 2021). During the year ended 31 December 2021, the Group renewed the loan to an associate of RMB2,000,000,000 for another 4 years upon the expiry on June 2021 bearing the interest rate at 6% per annum.

22. GOODWILL

	2021 RMB'000	2020 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
IMPAIRMENT		
At beginning of the financial year	**1,656,233**	1,325,639
Impairment loss recognised during the year	**–**	330,594
At the end of the financial year	**1,656,233**	1,656,233
CARRYING AMOUNT		
At 31 December	**278,224**	278,224

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

During the year ended 31 December 2021, no impairment loss was recognised (2020: RMB330,594,000 in relation to goodwill arising on acquisition of Hongchuang and Binzhou Municipal Beihai Xinhe New Material Co., Ltd.* (.Beihai Xinheth). The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang and decrease in value-in-use of Beihai Xinhe for the year ended 31 December 2020.

Impairment test on goodwill

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

	2021 RMB'000	2020 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Unit A)	**–**	–
Manufacture and selling of aluminum products in Binzhou, the PRC (Unit B)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**197,806**	197,806
	278,224	278,224

22. GOODWILL (Continued)

Impairment test on goodwill (Continued)

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

* The English translation is for reference only.

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

Unit A

During the year ended 31 December 2020, the recoverable amount of this unit was RMB9,058,100,000 and determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 21.33%. Unit A's cash flows beyond the 5-year period are extrapolated using a perpetual growth rate of 3%. The financial budgets estimated was consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development including but not limited to the impacts of COVID-19 pandemic. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A.

During the year ended 31 December 2020, the Group recognised an impairment loss of approximately RMB231,351,000 in relation to goodwill arising on acquisition of Unit A and Unit A was fully impaired.

Unit B

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a pre-tax discount rate of 21.33% (2020: 21.33%). Unit B's cash flows beyond the 5-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

22. GOODWILL (Continued)

Impairment test on goodwill (Continued)

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

Unit B (Continued)

During the year ended 31 December 2021, the Group determines that there are no impairment (2020: nil) to be recognised in relation to goodwill arising on acquisition of Unit B.

Hongchuang

The recoverable amount of this CGU was approximated to RMB703,155,000 (2020: RMB706,702,000) has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang and relevant transaction costs.

The fair value hierarchy as at 31 December 2021 and 2020 of Hongchuang are at Level 2. There were no transfers between levels of fair value hierarchy during the year.

During the year ended 31 December 2021, no impairment loss (2020: approximately RMB99,243,000) was recognised in relation to goodwill arising on acquisition of Hongchuang.

If the quoted share price was decreased by 5%, while other parameters remain constant, the recoverable amount of Hongchuang would be reduced to approximately RMB667,997,000 and no impairment loss in relation to goodwill arising on acquisition would be recognised.

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

Financial assets at FVTOCI comprise:

	2021 **RMB’000**	2020 RMB’000
Equity instruments as at FVTOCI		
– Listed	**904,278**	633,652
– Unlisted	**154,628**	–
	1,058,906	633,652

The fair value of these investments is disclosed in note 44.

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

Investments in listed equity securities represent the Group's investment in Bank of Jinzhou and Weihai City Commercial Bank Co., Ltd, companies listed in Hong Kong, of approximately RMB179,332,000 (2020: RMB250,596,000) and RMB724,946,000 (2020: RMB383,056,000) respectively.

Bank of Jinzhou engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. Weihai City Commercial Bank Co., Ltd engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services.

Investment in unlisted equity security represents the Group's equity interest in private entity issued by private entity established in the PRC of approximately RMB154,628,000 (2020: nil). The private entity is engaged in casting aluminium alloy, aluminium sheet, strip, foil, car wheel, casting steel and casting iron, along with trade and logistics.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

24. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Raw materials	**13,994,772**	13,181,335
Work in progress	**8,151,882**	6,015,670
Finished goods	**558,451**	520,806
	22,705,105	19,717,811

During the year, the write-down of inventories of approximately RMB129,155,000 (2020: RMB106,227,000) was recognised and included in other expenses.

During the year, inventories previously impaired were sold at profit or used. As a result, a reversal of write-down of inventories of approximately RMB39,108,000 (2020: RMB88,975,000) was recognised and included in other income and gains.

25. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**7,292,695**	10,342,754
Less: allowance for impairment losses	**(7,942)**	(7,186)
	7,284,753	10,335,568

As at 1 January 2020, the trade receivables from contracts with customers amounted to RMB10,318,327,000.

At as 31 December 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB7,292,695,000 (2020: RMB10,342,754,000).

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

	2021 RMB'000	2020 RMB'000
Within 3 months	**5,667,769**	8,691,846
3 to 12 months	**1,613,686**	1,642,343
12 to 24 months	**3,298**	1,379
	7,284,753	10,335,568

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

25. TRADE RECEIVABLES (Continued)

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant. As at 31 December 2021, lifetime ECL of approximately RMB7,942,000 (2020: RMB7,186,000) was made in respect of trade receivables with gross amount of RMB7,942,000 (2020: RMB7,186,000) as they are determined to be credit-impaired which aged over 3 years. For the remaining balance of approximately RMB7,284,753,000 (2020: RMB10,335,568,000), the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables. However, no loss allowance was made on these receivables as the identified impairment loss is immaterial.

The provision matrix of trade receivables is set out below:

For the year ended 31 December 2021

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0.009%	0.008%	2.933%	50.277%	100%	
Gross carrying amount (RMB'000)	6,691,921	557,539	35,293	–	–	7,942	7,292,695
Lifetime ECL (RMB'000)	–	–	–	–	–	7,942	7,942

For the year ended 31 December 2020

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0.001%	0.001%	0.570%	100%	100%	
Gross carrying amount (RMB'000)	9,783,898	539,230	12,440	–	–	7,186	10,342,754
Lifetime ECL (RMB'000)	–	–	–	–	–	7,186	7,186

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

	2021 RMB'000	2020 RMB'000
At 1 January	7,186	7,001
Impairment loss recognised	756	185
At 31 December	7,942	7,186

26. BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Bills receivables	**11,918,515**	9,157,692

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

	2021 RMB'000	2020 RMB'000
Within 3 months	**6,653,877**	5,824,650
3 to 6 months	**4,864,308**	3,031,787
Over 6 months	**400,330**	301,255
	11,918,515	9,157,692

TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets transferred to suppliers by endorsing those bills receivables on a full recourse basis. As the Group has retained the significant risks and rewards which include default risks, relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables and other payables in the consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	2021 RMB'000	2020 RMB'000
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**11,356,482**	8,962,654
Carrying amount of trade payables	**(11,353,952)**	(8,929,069)
Carrying amount of other payables	**(2,530)**	(33,585)
Net position as at 31 December	**–**	–

Note: The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group was still exposed to credit risk on these receivables at the end of the reporting period, the cash received from the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no additional loss allowance was provided on the Group's bills receivables for the years ended 31 December 2021 and 2020.

27. PREPAYMENTS AND OTHER RECEIVABLES

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

	2021 RMB'000	2020 RMB'000
Prepayments to suppliers	**3,240,549**	1,401,177
Prepayments to an associate (note (ii))	**3,626,005**	3,617,585
Value-added tax recoverable	**2,974,375**	1,173,192
CIT refundable	**53,010**	54,862
Prepayment for acquisition of right-of-use assets	**541,210**	119,260
Receivables arising from dealing with futures	**317,691**	294,480
Receivables arising from disposal of plant and equipment (note (iii))	**–**	1,500,000
Receivables arising from disposal of non-current assets classified as held for sale	**–**	389,873
Factoring receivables (note (i))	**323,934**	466,918
Interest receivables	**24,526**	23,226
Dividend receivables	**–**	28,009
Others	**235,344**	234,945
	11,336,644	9,303,527
Less: allowance for impairment losses	**(26,938)**	(57,997)
	11,309,706	9,245,530
Analysed as		
Current	**10,768,496**	9,126,270
Non-current	**541,210**	119,260
	11,309,706	9,245,530

Notes:

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

(ii) On 21 June 2019, the Group entered into an electricity procurement agreement with an associate of the Group, pursuant to which the Group agreed to provide a prepayment to the associate for the supply of electricity.

(iii) On 18 March 2020, the Group had entered into a sales and purchase agreement with an independent third party agreed to dispose power unit and its related assets and liabilities located in Zouping, at a cash consideration of RMB3,000,000,000. The transaction was completed and part of the consideration of RMB1,500,000,000 was received during the year ended 31 December 2020. The remaining balance of RMB1,500,000,000 was guaranteed by the acquirer's wholly-owned subsidiary which also was one of the major suppliers of the Group. The balance of RMB1,500,000,000 was received in February 2021.

27. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

For the year ended 31 December 2021

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	**26,039**	**(26,039)**	**–**
Other receivables – Doubtful	**323,934**	**(899)**	**323,035**
Other receivables – Performing	**551,522**	**–**	**551,522**
	901,495	**(26,938)**	**874,557**

For the year ended 31 December 2020

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables-Default	29,515	(29,515)	–
Other receivables-Doubtful	466,918	(28,482)	438,436
Other receivables-Performing	2,441,018	–	2,441,018
	2,937,451	(57,997)	2,879,454

* For the remaining balance of other receivables, it has low risk of default or has not been significantly increased in credit risk since initial recognition. The directors of the Company consider the ECL is immaterial.

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

	2021 RMB'000	2020 RMB'000
At 1 January	**57,997**	40,700
Reversal of impairment loss	**(31,059)**	–
Impairment loss recognised	**–**	17,297
At 31 December	**26,938**	57,997

28. FINANCIAL ASSET AT AMORTISED COST

	2021 RMB'000	2020 RMB'000
Financial asset at amortised cost		
Collective investment trust (note)	**2,499,000**	2,499,000

Note: The collective investment trust represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust") *中信信託有限責任公司 and will be matured on 3 January 2022. The asset income trust carries fixed interest rate of 7.22% per annum. In November 2021, the asset income trust was extended and will be matured in January 2025 and carries fixed interest rate of 5.78% per annum in January 2022.

* The English translation is for reference only.

29. OTHER FINANCIAL ASSET/LIABILITIES

	2021 RMB'000	2020 RMB'000
Other financial asset		
Interest rate swaps contracts	**99**	–
Other financial liabilities		
Capped forward contract	**4,497**	1,848
Interest rate swaps contracts	**–**	3,094
	4,497	4,942

Major terms of the capped forward contract are as follows:

Years ended 31 December 2021 and 2020

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

Major terms of the interest rate swaps are as follows:

Year ended 31 December 2021

Notional amount	Maturity	Swaps
US$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US$-LIBOR

29. OTHER FINANCIAL ASSET/LIABILITIES (Continued)

Year ended 31 December 2020

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

30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2021 **RMB'000**	2020 RMB'000
Cash and bank balances	**49,227,282**	45,465,361
Restricted bank deposits	**1,623,874**	1,542,098
	50,851,156	47,007,459
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,106,220)**	(1,027,301)
– pledged for issuance of letter of credit	**(237,075)**	(200,581)
– pledged for guarantee issued	**(280,579)**	(314,216)
Cash and cash equivalents	**49,227,282**	45,465,361

Cash and cash equivalents are principally RMB-denominated deposits placed with banks in the PRC. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The bank balances and short-term time deposits are deposited with creditworthy banks with no recent history of default.

Bank balances and short-term time deposits carry interest at market rates which ranged from 0.05% to 1.50% (2020: 0.05% to 1.50%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate ranged from 0.05% to 1.55% (2020: 0.05% to 1.55%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 44.

31. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2021 RMB'000	2020 RMB'000
Changes in fair values of arising from:		
– capped forward contract	**(2,649)**	(2,667)
– interest rate swaps contracts	**3,193**	206
– derivatives component of convertible bonds (note 38)	**(117,350)**	(288,794)
	(116,806)	(291,255)

32. TRADE AND BILLS PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables to third parties	**15,145,101**	10,997,877
Trade payables to an associate	**1,065,148**	251,263
Trade payables to related parties	**69,157**	41,754
	16,279,406	11,290,894
Bills payables	**2,455,810**	2,086,175
	18,735,216	13,377,069

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

	2021 RMB'000	2020 RMB'000
Within 6 months	**15,981,498**	10,773,004
6 to 12 months	**159,869**	53,043
1 to 2 years	**82,229**	430,815
More than 2 years	**55,810**	34,032
	16,279,406	11,290,894

The average credit period on purchases of goods is six months. The trade payables are non-interest bearing and are normally settled on a term of six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Bills payables were bills of acceptance with maturity of less than one year.

33. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Payables on property, plant and equipment	**3,943,894**	4,370,139
Retention payables	**2,065,755**	1,503,546
Accrued payroll and welfare (note (i))	**685,650**	664,795
Contract liabilities (note (ii))	**1,767,103**	1,248,332
Dividend payables	**9**	10
Interest payable	**610,976**	1,473,016
Other taxes payables	**1,699,775**	2,206,457
Others	**706,797**	639,379
	11,479,959	12,105,674

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2021 were accrued directors payroll and welfare of approximately RMB4,174,000 (2020: RMB3,700,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) Contract liabilities include advances received to deliver goods.

As at 1 January 2020, contract liabilities amounted to RMB2,381,094,000.

The significant increase in contract liabilities in 2021 were mainly due to continuous increase in the number of contracts and customer base.

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately RMB1,248,332,000 (2020: RMB2,381,094,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

34. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Current		
Secured bank borrowings (note (iii))	**3,085,699**	2,993,512
Unsecured bank borrowings	**17,925,174**	19,783,888
	21,010,873	22,777,400
Non-current		
Secured bank borrowings (note (iii))	**6,401,495**	5,460,243
Unsecured bank borrowings (note (i))	**8,969,383**	6,023,255
	15,370,878	11,483,498
	36,381,751	34,260,898

34. BANK BORROWINGS (Continued)

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

	2021 RMB'000	2020 RMB'000
Within one year	**21,010,873**	22,777,400
In the second year	**9,187,595**	5,908,546
In the third to fifth years, inclusive	**4,859,769**	4,518,748
Over fifth years	**1,323,514**	1,056,204
	36,381,751	34,260,898

	2021 RMB'000	2020 RMB'000
Amounts shown under current liabilities	**21,010,873**	22,777,400
Amounts shown under non-current liabilities	**15,370,878**	11,483,498
	36,381,751	34,260,898

The exposure of the Group's fixed-rate bank borrowings denominated in RMB at interest rate ranged from 1.23% to 8.50% (2020: 2.45% to 8.00%) per annum and the contractual maturity dates (or reset dates) are as follows:

	2021 RMB'000	2020 RMB'000
Fixed-rate borrowings:		
Within one year	**19,629,937**	4,341,943

In addition, the Group has variable-rate borrowings denominated in RMB at floating rates calculated based on the borrowing rates announced by the People's Bank of China (the "PBOC") or China Foreign Exchange Trading System & National Interbank Funding Center ("CFETS"). Interests on borrowings denominated in US$ at floating rates are calculated based on LIBOR. Details of impact on interest rate benchmark reform – phase 2 are set out in note 44.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**1.23% to 8.50%**	2.45% to 8.00%
Variable-rate borrowings	**3.50% to 5.22%**	4.35% to 6.09%

34. BANK BORROWINGS (Continued)

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2021 RMB'000	2020 RMB'000
US$	**6,596,617**	4,472,920

Notes:

(i) Bank borrowings of approximately RMB960,000,000 (2020: RMB1,299,000,000) are guaranteed by a related party was set out in note 50.

(ii) As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2021 RMB'000	2020 RMB'000
Floating rate – expiring within one year	**22,524,902**	20,769,432

(iii) Secured bank borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 16 and 17 respectively.

35. SHORT-TERM DEBENTURES AND NOTES

	2021 RMB'000	2020 RMB'000
Short-term debentures and notes	**1,500,000**	–

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2021 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures A	12 November 2021	1,000,000	3.98%	12 November 2022
Short-term debentures B	21 October 2021	500,000	4.10%	21 October 2022

The short-term debentures and notes were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investors ("NAFMII"). Interest is payable annually.

36. MEDIUM-TERM DEBENTURES AND BONDS

	2021 RMB'000	2020 RMB'000
Medium-term debentures and bonds-due within one year	**3,598,649**	22,774,698
Medium-term debentures and bonds-due after one year	**9,544,944**	13,345,378
	13,143,593	36,120,076

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2021 and 2020 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest Rate	Effective interest Rate	Date of maturity
Unlisted					
Medium-term debentures C	25 October 2016	Nil (31 December 2020: 1,000,000)	3.87%	4.21%	26 October 2021
Medium-term debentures D	3 November 2016	Nil (31 December 2020: 2,000,000)	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.55%	19 January 2022
Medium-term debentures H	2 March 2018	Nil (31 December 2020: 1,000,000)	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	Nil (31 December 2020: 1,000,000)	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	Nil (31 December 2020: 1,300,000)	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	Nil (31 December 2020: 1,000,000)	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	Nil (31 December 2020: 1,000,000)	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	Nil (31 December 2020: 1,000,000)	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	Nil(31 December 2020: 1,000,000)	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	Nil (31 December 2020: 500,000)	7.47%	7.75%	27 August 2021
Medium-term debentures P	12 July 2019	600,000	7.00%	7.24%	12 July 2022
Listed					
Enterprise bonds A	3 March 2014	Nil (31 December 2020: 1,149,960)	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	Nil (31 December 2020: 1,056,362	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	214	6.26%	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	Nil (31 December 2020: 1,064,213)	7.30%	7.43%	14 January 2021
Enterprise bonds E	14 January 2016	Nil (31 December 2020: 521,956)	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	Nil (31 December 2020: 953,695)	7.00%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	Nil (31 December 2020: 1,198,240)	6.70%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	Nil (31 December 2020: 3,500,000)	6.50%	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	Nil (31 December 2020: 500,000)	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	Nil (31 December 2020: 2,000,000)	6.30%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	5,521,045 (31 December 2020: 7,800,000)	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds M	11 June 2021	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	1,000,000	4.16%	4.26%	20 August 2024
Private placement enterprise bond B	15 July 2016	Nil (31 December 2020: 26,000)	6.80%	4.73%	3 March 2021

36. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures C, D, E, F, G, H, I, J, K, L, M, N, O and P were issued to various independent third parties according to the approvals issued by NAFMII and enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange while enterprise bonds D, E, F, G, H, I, J, K, L, M, N, O and private placement enterprise bond B were issued under the approval of China Securities Regulatory Commission. During the year ended 31 December 2021, the Group redeemed the debentures C, D, H, I, J, K, L, M, N and O for RMB10,800,000,000 together with interest accrued up the that date.

According to the terms and conditions of private placement enterprise bonds B, the interest rate is 6.48% per annum for 3 years, up to 15 July 2019. At the end of the third year, on 14 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of-300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2021, the Group redeemed the private placement enterprises bonds B together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the 5 years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2021, the Group redeemed the enterprise bonds A for RMB1,149,960,000 (2020: nil) together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the 3 years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017 and 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2021, the Group redeemed the enterprise bonds B for RMB1,056,362,000 (2020: nil) together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 6.26% per annum for the 4 years, up to 26 October 2019. At the end of the fourth year, on 26 October 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 7.30% per annum for the 3 years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds E is 4.88% per annum for the 5 years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate. During the year ended 31 December 2021, the Group redeemed the enterprises bonds D and E for RMB1,064,213,000 and RMB521,956,000 (2020: RMB935,737,000 and RMB478,044,000) together with interest accrued up the that date, respectively.

36. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 7.00% per annum for the 3 years, up to 27 January 2019. At the end of the third year, on 27 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. During the year ended 31 December 2021, the Group redeemed the enterprises bonds F for RMB953,695,000 (2020: RMB846,305,000) together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 6.70% per annum for the 3 years, up to 24 February 2019. At the end of the third year, on 24 February 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. During the year ended 31 December 2021, the Group redeemed the enterprises bonds G for RMB1,198,240,000 (2020: nil) together with interest accrued up the that date.

Enterprise bonds H and I are different categories of the same tranche. The interest rate of the enterprise bonds H is 6.50% per annum for the 3 years, up to 10 March 2019. At the end of the third year, on 10 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds I is 4.83% per annum for the 5 years, up to 10 March 2021, with no right to redeem the bonds or adjust the interest rate. During the year ended 31 December 2021, the Group redeemed the enterprises bonds H and I for RMB3,500,000,000 and RMB500,000,000 (2020: nil) together with interest accrued up the that date, respectively.

According to the terms and conditions of enterprise bonds J, the interest rate of the enterprise bonds is 6.30% per annum for the 3 years, up to 22 March 2019. At the end of the third year, on 22 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. During the year ended 31 December 2021, the Group redeemed the enterprises bonds G for RMB2,000,000,000 (2020: nil) together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds K, the interest rate of the enterprise bonds is 4.00% per annum for the 5 years, up to 17 October 2021. At the end of the fifth year, on 17 October 2021, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. During the year ended 31 December 2021, the Group redeemed the enterprises bonds K for RMB2,278,955,000 (2020: nil) together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds L the interest rate of the enterprise bonds is 6.00% per annum for the 3 years, up to 26 March 2022. At the end of the third year, on 26 March 2022, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds M the interest rate of the enterprise bonds is 4.90% per annum for the 1 year, up to 11 June 2022. At the end of the first year, on 11 June 2022, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

36. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds N the interest rate of the enterprise bonds is 5.60% per annum for the two years, up to 11 June 2023. At the end of the third year, on 11 June 2023, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds O the interest rate of the enterprise bonds is 4.16% per annum for the two years, up to 20 August 2023. At the end of the third year, on 20 August 2023, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

Interest is payable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

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

	2021 **RMB'000**	2020 RMB'000
Within one year	**3,598,649**	22,774,698
In the second to fifth year	**9,544,944**	13,345,378
	13,143,593	36,120,076

37. GUARANTEED NOTES

	2021 **RMB'000**	2020 RMB'000
Amounts shown under current liabilities	**1,908,945**	–
Amounts shown under non-current liabilities	**4,423,886**	3,242,270
	6,332,831	3,242,270

On 22 July 2019, the Company issued 7.125% guaranteed notes with the aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,060,310,000) (the "2022 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will be matured on 22 July 2022. The 2022 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2022 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2022 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

37. GUARANTEED NOTES (Continued)

Period	Redemption price
Prior to 22 July 2022	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 July 2022	107.125% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2022 Guaranteed Notes on 22 July 2022, plus all required remaining scheduled interest payments due on the 2022 Guaranteed Notes through 22 July 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 22 July 2022, the Company may at its option redeem the 2022 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 22 July 2022, the Company may redeem up to 35% of the 2022 Guaranteed Notes, at a redemption price of 107.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2022 Guaranteed Notes on date of issuance was net of issue expenses of US$4,000,000 (equivalent to approximately RMB27,471,000) and the effective interest rate of the 2022 Guaranteed Notes is 7.63% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition.

On 24 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,414,580,000) (the “2023 Guaranteed Notes”) which were guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will be matured on 2 May 2023. The 2023 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

37. GUARANTEED NOTES (Continued)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2023 Guaranteed Notes on 2 May 2023, plus all required remaining scheduled interest payments due on the 2023 Guaranteed Notes through 2 May 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 2 May 2023, the Company may at its option redeem the 2023 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 2 May 2023, the Company may redeem up to 35% of the 2023 Guaranteed Notes, at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2023 Guaranteed Notes on date of issuance was net of issue expenses of US$2,700,000 (equivalent to approximately RMB19,097,000) and the effective interest rate of the 2023 Guaranteed Notes is 7.81% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition.

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,230,050,000) (the "2024 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will be matured on 8 June 2024. The 2024 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2024 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2024 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 8 June 2024	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 8 June 2024	106.25% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2024 Guaranteed Notes on 8 June 2024, plus all required remaining scheduled interest payments due on the 2024 Guaranteed Notes through 8 June 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

37. GUARANTEED NOTES (Continued)

Notes: (Continued)

(ii) At any time prior to 8 June 2024, the Company may at its option redeem the 2024 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 8 June 2024, the Company may redeem up to 35% of the 2024 Guaranteed Notes, at a redemption price of 106.25% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2024 Guaranteed Notes on date of issuance was net of issue expenses of US$4,279,000 (equivalent to approximately RMB27,203,000) and the effective interest rate of the 2024 Guaranteed Notes is 6.52% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition.

38. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds ("2017 CBs") bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US$320,000,000. The 2017 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.16 per share with fixed exchange rate of HK$7.8212 equal to US$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds ("2021 CBs") bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US$300,000,000. The 2021 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.91 per share with fixed exchange rate of HK$7.7530 equal to US$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

38. CONVERTIBLE BONDS (Continued)

The movements of the liability and derivatives components of the 2017 CBs and 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2017 CBs RMB'000	Derivatives component of 2017 CBs RMB'000	Liability component of 2021 CBs RMB'000	Derivatives component of 2021 CBs RMB'000	Total RMB'000
As at 1 January 2020	1,150,555	279,937	–	–	1,430,492
Changes in fair values	–	288,794	–	–	288,794
Effective interest expenses	229,958	–	–	–	229,958
Interest paid	(86,733)	–	–	–	(86,733)
Exchange translation	(77,841)	(18,620)	–	–	(96,461)
As at 31 December 2020	**1,215,939**	**550,111**	**–**	**–**	**1,766,050**
At issuance date	**–**	**–**	**1,630,729**	**301,887**	**1,932,616**
Transaction costs	**–**	**–**	**(28,525)**	**–**	**(28,525)**
Changes in fair values	**–**	**174,512**	**–**	**(57,162)**	**117,350**
Effective interest expenses	**249,274**	**–**	**144,867**	**–**	**394,141**
Interest paid	**(80,712)**	**–**	**(98,929)**	**–**	**(179,641)**
Exchange translation	**(25,890)**	**(11,537)**	**(14,395)**	**(3,455)**	**(55,277)**
As at 31 December 2021	**1,358,611**	**713,086**	**1,633,747**	**241,270**	**3,946,714**

No redemption, purchase or cancellation by the Company has been made in respect of the 2017 CBs and 2021 CBs during the years ended 31 December 2021 and 2020.

On 15 June 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$7.21 to HK$6.51 per share and on 16 November 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$6.51 to HK$6.31 per share and on 1 December 2020, as a result of the Company's share placing, the conversion price of the CBs was adjusted from HK$6.31 to HK$6.29 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 11 June 2021, as a result of the Company's declaration of dividend, the conversion price of the 2017 CBs was adjusted from HK$6.29 to HK$6.04 per share and the 2021 CBs was adjusted from HK$8.91 to HK$8.47 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 25 November 2021, as a result of the Company declaration of the interim dividends, the conversion price of the 2017 CBs was adjusted from HK$6.04 per share to HK$5.79 per share and the 2021 CBs was adjusted from HK$8.47 to HK$8.12 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

38. CONVERTIBLE BONDS (Continued)

As at 31 December 2021, the principal amount of the 2017 CBs that remained outstanding amounted to US$246,400,000 (2020: US$246,400,000) of which a maximum of 332,840,013 (2020: 306,382,143) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2017 CBs and the principal amount of the 2021 CBs that remained outstanding amounted to US$300,000,000 (2020: nil) of which a maximum of 286,440,886 (2020: nil) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018 and 13 July 2018, 17 June 2019, 15 June 2020, 16 November 2020, 1 December 2020, 11 June 2021 and 25 November 2021.

At 31 December 2021 and 2020, the fair values of the derivatives component was valued by Asia-Pacific Consulting and Appraisal Limited (2020: Grant Sherman Appraisal Limited), an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the binomial option pricing model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	2017 CBs		2021 CBs	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At issuance date
Share price	HK$8.23	HK$7.10	HK$8.23	HK$7.32
Conversion price	HK$5.79	HK$6.29	HK$8.12	HK$8.91
Expected volatility	59.43%	40.49%	47.53%	45.08%
Expected life	0.91 years	1.91 years	4.07 years	5.00 years
Risk free rate	0.36%	0.12%	1.13%	0.42%
Expected dividend yield	4.16%	2.09%	4.16%	2.61%

39. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**2,616,950**	2,886,026
Deferred tax liabilities	**(813,998)**	(900,344)
	1,802,952	1,985,682

39. DEFERRED TAXATION (Continued)

The deferred tax assets (liabilities) recognised by the Group and the movements thereon during the year are as follows:

	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Income tax facility RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provisions RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2020	1,192,626	44,049	66,656	(403,299)	605,175	136,656	33,392	(318,246)	5,900	1,362,909
(Charged) credited to profit or loss	(787,648)	616,584	(39,240)	(224,666)	1,051,337	(15,952)	(24,596)	45,867	1,087	622,773
At 31 December 2020 and 1 January 2021	**404,978**	**660,633**	**27,416**	**(627,965)**	**1,656,512**	**120,704**	**8,796**	**(272,379)**	**6,987**	**1,985,682**
Acquired on step acquisition from associate to subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,409)**	**-**	**(18,409)**
(Charged) credited to profit or loss	**(221,334)**	**111,228**	**(27,302)**	**38,248**	**(134,097)**	**(10,148)**	**10,966**	**66,507**	**1,611**	**(164,321)**
At 31 December 2021	**183,644**	**771,861**	**114**	**(589,717)**	**1,522,415**	**110,556**	**19,762**	**(224,281)**	**8,598**	**1,802,952**

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,829,988,000 (2020: RMB3,409,770,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB3,087,444,000 (2020: RMB2,642,532,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB1,742,544,000 (2020: RMB767,238,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,396,234,000 (2020: RMB760,818,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB346,310,000 (2020: RMB6,420,000) may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB66,493,194,000 (2020: RMB49,200,234,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

40. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants		
– Current liabilities	**26,514**	17,855
– Non-current liabilities	**835,379**	581,828
	861,893	599,683

40. DEFERRED INCOME (Continued)

As at 31 December 2021, the Group received government subsidies of approximately RMB302,800,000 (2020: RMB135,317,000) while RMB300,000,000 (2020: nil) was obtained through step acquisition from associate to subsidiary towards certain environment protection and construction projects. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of plant and machineries. This policy has resulted in a credit to income in the current year of approximately RMB40,590,000 (2020: RMB107,050,000). As at 31 December 2021, balances of approximately RMB861,893,000 (2020: RMB599,683,000) remain to be amortised.

41. SHARE CAPITAL

	Number of shares		Share Capital	
	2021	2020	**2021** **US$**	2020 US$
Authorised:				
Ordinary shares of US$0.01 each	**20,000,000,000**	10,000,000,000	**200,000,000**	100,000,000

	2021	2020	**2021** **US$**	2020 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**9,121,352,349**	8,878,352,349	**91,213,523**	88,783,523

	Number of shares	**Share Capital** RMB'000
Issued and fully paid:		
At 1 January 2020	8,570,852,349	559,090
Issue of shares upon share subscription (note i)	307,500,000	20,228
At 31 December 2020 and 1 January 2021	**8,878,352,349**	**579,318**
Issue of shares upon share subscription (note ii)	**243,000,000**	**15,821**
At 31 December 2021	**9,121,352,349**	**595,139**

Notes:

(i) On 2 December 2020, 307,500,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$6.3 per share, raising a total proceeds of approximately RMB1,644,087,000, net of share issue expenses of approximately RMB26,433,000.

(ii) On 18 March 2021, 243,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.72 per share, raising a total proceeds of approximately RMB1,971,811,000, net of share issue expenses of approximately RMB31,701,000.

41. SHARE CAPITAL (Continued)

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year (2020: nil).

42. RESERVES

(a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao") in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong Weiqiao Chuangye Group Company Limited ("Weiqiao Chuangye") 山東魏橋創業集團有限公司 in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; (v) share of capital reserve of an associate and subsidiaries from Shandong Innovation Carbon New Material Co., Ltd. * ("Innovation Carbon New Material") 山東創新炭材料有限公司 and Shandong Hongao Automobile Lightweight Technology Co., Ltd. ("Hongao Automobile Lightweight") * 山東宏奧汽車輕量化科技有限公司 and Shandong Hongqiao respectively; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(b) Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the PRC, those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Investment revaluation reserve

Investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

* The English translation is for reference only.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 34, 35, 36, 37 and 38, and net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 41, share premium and reserves in the consolidated statement of financial position.

Management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, raise of new capital and share buy-backs as well as the issuance of new debt.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **RMB'000**	2020 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**75,427,981**	73,879,173
Financial asset at FVTPL		
– Other financial asset	**99**	–
Financial assets at FVTOCI		
– Equity instruments at FVTOCI	**1,058,906**	633,652
Financial liabilities		
Financial liabilities at FVTPL		
– Derivatives component of convertible bonds	**954,356**	550,111
– Other financial liabilities	**4,497**	4,942
Financial liabilities at amortised cost	**87,160,561**	96,950,826

44. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables, other financial asset, restricted bank deposits, cash and cash equivalents, financial asset at amortised cost, financial assets at FVTOCI, loan to an associate, trade and bills payables, other payables and accruals, other financial liabilities, lease liabilities, bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

(i) Currency risk

A subsidiary of the Company has foreign currency sales, which expose the Group to foreign currency risk. Approximately 1.93% (2020: 2.36%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale. In addition, the Company has intra-group balance with a subsidiary denominated in foreign currency which also expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Exposure to foreign currencies					
	2021			2020		
	USD RMB'000	**HK$ RMB'000**	**IDR RMB'000**	USD RMB'000	HK$ RMB'000	IDR RMB'000
Trade receivables	**168,243**	**–**	**–**	63,702	–	–
Other receivables	**228,197**	**–**	**–**	199,780	–	–
Cash and cash equivalents	**2,254,575**	**57,088**	**94,969**	1,031,307	163,430	68,691
Other financial asset	**99**	**–**	**–**	–	–	–
Trade payables	**132,353**	**–**	**–**	68,548	–	–
Other payables and accruals	**1,616,409**	**–**	**–**	1,542,730	–	–
Bank borrowings	**7,828,707**	**–**	**–**	7,747,028	–	–
Other financial liabilities	**4,497**	**–**	**–**	4,942	–	–
Liability component of convertible bonds	**2,992,358**	**–**	**–**	1,215,939	–	–
Derivatives component of convertible bonds	**954,356**	**–**	**–**	550,111	–	–
Guaranteed notes	**6,332,831**	**–**	**–**	3,242,270	–	–

44. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to US$, HK$ and IDR.

The following table details the Group's sensitivity to a 1% (2020: 5%) increase and decrease in RMB against the relevant foreign currencies 1% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As a result of the volatile financial market in 2021, the management adjusted the sensitivity rate from 5% to 1% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 1% (2020: 5%) change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 1% (2020: 5%) against the relevant currency. For a 5% (2020: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	2021 RMB'000	2020 RMB'000
Effect on post-tax profit:		
US$ (note (i))	**129,810**	490,098
HK$ (note (ii))	**(433)**	(6,129)
IDR (note (iii))	**(741)**	(2,576)

Notes:

(i) This is mainly attributable to the exposure outstanding on US$ of cash and cash equivalents, trade receivables, other receivables, trade payables, other payables and accruals, bank borrowings, convertible bonds and guaranteed notes at year end.

(ii) This is mainly attributable to the exposure outstanding on HK$ of cash and cash equivalents at year end.

(iii) This is mainly attributable to the exposure outstanding on IDR of cash and cash equivalents at year end.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

44. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, liability component of convertible bonds, short-term debentures and notes, medium-term debentures and bonds and guaranteed notes. The Group aims at keeping borrowings at fixed rates.

The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances, floating interest rate bank borrowings and pay fixed and receive floating interest rate swaps, and mainly concentrated on the fluctuation of interest rate quoted from the PBOC, LIBOR and HIBOR on the bank borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period were outstanding for the whole year. A 25 basis points (2020: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2020: 25 basis points) higher/lower and all other variables were held constant:

	2021 **RMB'000**	2020 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(63,269)**	(34,211)
As a result of decrease in interest rate	**63,269**	34,211

This is mainly attributable to the Group's exposure to interest rates on its interest bearing restricted bank deposits and bank balances and variable-rate bank borrowings.

44. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instruments operating in bank industry sector quoted in the Stock Exchange. For unquoted equity security designated as FVTOCI, the investee is operating in diversified metals and minerals industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. Sensitivity analysis for unquoted equity security with fair value measurement catagorised within level 3 were disclosed in note 44.

If the price of the respective equity instrument had been 10% (2020: 10%) higher/lower, other comprehensive income for the year ended 31 December 2021 would increase/decrease by approximately RMB90,427,000 (2020: RMB63,365,000) as a result of the changes in fair value of financial assets at FVTOCI.

(d) Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from loan to an associate, trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

44. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

Management considered loan to an associate to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds and financial assets at amortised cost are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables**	**Other financial assets**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL-not credit impaired	Lifetime ECL-not credit impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL-credit impaired	Lifetime ECL-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

44. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group's exposure to credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2021

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	**7,292,695**	**(7,942)**	**7,284,753**
Bills receivables (note 2)	Performing	12-month ECL	**11,918,515**	**–**	**11,918,515**
Other receivables	Performing	12-month ECL	**551,522**	**–**	**551,522**
Other receivables	Doubtful	Lifetime ECL – not credit-impaired	**323,934**	**(899)**	**323,035**
Other receivables	Default	Lifetime ECL – credit-impaired	**26,039**	**(26,039)**	**–**
Financial asset at amortised cost	Performing	12-month ECL	**2,499,000**	**–**	**2,499,000**
Loan to an associate	Performing	12-month ECL	**2,000,000**	**–**	**2,000,000**
				(34,880)	

44. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2020

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	10,342,754	(7,186)	10,335,568
Bills receivables (note 2)	Performing	12-month ECL	9,157,692	–	9,157,692
Other receivables	Performing	12-month ECL	2,441,018	–	2,441,018
Other receivables	Doubtful	Lifetime ECL – not credit-impaired	466,918	(28,482)	438,436
Other receivables	Default	Lifetime ECL – credit-impaired	29,515	(29,515)	–
Financial asset at amortised cost	Performing	12-month ECL	2,499,000	–	2,499,000
Loan to an associate	Performing	12-month ECL	2,000,000	–	2,000,000
				(65,183)	

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.

2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.

44. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 10% (2020: 14%) and 43% (2020: 47%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2020: 98%) of the total receivables as at 31 December 2021.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from bank represented 6% (2020: 17%) of the total bills receivables as at 31 December 2021. In addition, the Group's bills receivables from the top five major banks represented 22% (2020: 32%) of the total bills receivables as at 31 December 2021.

The credit risk on bank balances and restricted bank deposits is limited because such amounts are placed with various banks with good credit ratings. Other than disclosed above, the Group does not have any other significant concentration of credit risk

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. Other than the cash generated from operating activities, the Group's management is responsible for obtaining funding from other sources, including guaranteed notes, convertible bonds, bank borrowings, other borrowing, medium-term debentures and bonds and issue of new shares. The management also monitors the recognisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

44. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	6,468,329	13,923,253	1,741,172	1,115,389	–	23,248,143	22,249,949
Floating-rate bank borrowings	490,068	964,100	8,239,976	3,654,615	3,803,727	17,152,486	14,131,802
Medium-term debentures and bonds	3,241,645	820,857	6,396,983	3,567,334	–	14,026,819	13,143,593
Short-term debentures and notes	1,500,000	–	–	–	–	1,500,000	1,500,000
Trade and bills payables	18,735,216	–	–	–	–	18,735,216	18,735,216
Other payables (exclude contract liabilities and other tax payables)	8,013,081	–	–	–	–	8,013,081	8,013,081
Lease liabilities	6,250	6,260	9,507	12,397	45,830	80,244	61,731
Guaranteed notes	232,812	2,261,023	1,645,750	3,579,555	–	7,719,140	6,332,831
Convertible bonds	96,995	1,807,570	109,749	2,318,077	–	4,332,391	2,992,358
	38,784,396	19,783,063	18,143,137	14,247,367	3,849,557	94,807,520	87,160,561

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2020							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	2,550,920	5,135,063	3,961	12,104	–	7,702,048	7,478,070
Floating-rate bank borrowings	4,133,110	12,321,347	5,918,645	4,600,340	2,679,024	29,652,466	26,782,828
Medium-term debentures and bonds	17,869,391	5,965,935	4,059,560	10,196,164	–	38,091,050	36,120,076
Trade and bills payables	13,377,069	–	–	–	–	13,377,069	13,377,069
Other payables (exclude contract liabilities and other tax payables)	8,650,885	–	–	–	–	8,650,885	8,650,885
Lease liabilities	16,040	11,839	14,273	14,542	48,679	105,373	83,689
Guaranteed notes	124,829	126,898	2,276,079	1,427,994	–	3,955,800	3,242,270
Convertible bonds	42,571	43,277	1,794,816	–	–	1,880,664	1,215,939
	46,764,815	23,604,359	14,067,334	16,251,144	2,727,703	103,415,355	96,950,826

The amounts included above of floating interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

44. FINANCIAL INSTRUMENTS (Continued)

(f) Interest rate benchmark reform

As listed in note 34, several of the Group's LIBOR bank borrowings will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

– immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and

– immediately after 30 June 2023, in the case of the remaining US dollar settings.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

44. FINANCIAL INSTRUMENTS (Continued)

(f) Interest rate benchmark reform (Continued)

LIBOR (Continued)

(i) Risks arising from the interest rate benchmark reform (Continued)

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is planning to transition the its LIBORs contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBORs to alternative reference rate at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2021. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts RMB'000	Hedge accounting	Transition progress for financial instruments
Non-derivative financial liabilities				
– Bank borrowings linked to GBP LIBOR	2023/2029	5,596,617	N/A	Expected to transit Secured Overnight Financing Rate in 2023
Derivatives				
– Interest rate swaps contracts – Receive 1-months GBP LIBOR, pay USD fixed interest rate swaps	2023	357,761	GBP LIBOR bank loan of the same maturity and nominal as the swap	To transit derivatives via International Swaps and Derivatives Association protocol

44. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments

Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2021			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTOCI				
Derivative financial asset				
– Interest rate swap contracts	**–**	**99**	**–**	**99**
Unlisted equity instruments	**–**	**–**	**154,628**	**154,628**
Listed equity instruments	**904,278**	**–**	**–**	**904,278**
	904,278	**99**	**154,628**	**1,059,005**
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	**–**	**–**	**954,356**	**954,356**
Derivative financial liabilities				
– Capped forward contract	**–**	**4,497**	**–**	**4,497**
	–	**4,497**	**954,356**	**958,853**

	31 December 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Listed equity instruments	633,652	–	–	633,652
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	–	–	550,111	550,111
Derivative financial liabilities				
– Capped forward contract	–	1,848	–	1,848
– Interest rate swap contracts	–	3,094	–	3,094
	–	4,942	550,111	555,053

There were no transfers between levels of fair value hierarchy in the current and prior years.

44. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31.12.2021 RMB'000	Fair value as at 31.12.2020 RMB'000	Valuation technique and key inputs
Financial asset at FVTOCI – listed equity instrument	Level 1	**904,278**	633,652	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	**154,628**	–	Market approach – Based on P/E multiples of listed entities in similar industry with consideration of marketability discount (Key inputs: the higher discount rate, the lower the fair value)
Capped forward contract	Level 2	**4,497**	1,848	Discounted cash flows – Based on forward contracts exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties)
Interest rate swaps contracts	Level 2	**99**	3,094	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of convertible bonds	Level 3	**206,607**	40,496	Binomial option pricing model: Key observable inputs: risk free rate ranged from 0.36% to 1.31% (2020: 0.12%) and effective interest rate ranged from 6.47% to 7.74% (2020: 6.13%) Key unobservable inputs: volatility ranged from 47.53% to 59.43% (2020: 40.49%)
Conversion option derivative of convertible bonds	Level 3	**747,749**	509,615	Binomial option pricing model: Key observable inputs: risk free rate ranged from 0.36% to 1.31% (2020: 0.12%) and effective interest rate ranged from 6.47% to 7.74% (2020: 6.13%) Key unobservable inputs: volatility ranged from 47.53% to 59.43% (2020: 40.49%)

44. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the unobservable inputs of volatility to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the redemption option derivative of convertible bonds and conversion option derivative of convertible bonds would increase/decrease by RMB21,945,000 and RMB8,438,000 (2020: 8,287,000 and 104,280,000), respectively. The higher the volatility, the higher will be the fair value.

Reconciliation of Level 3 fair value measurements of unlisted equity instrument on recurring basis:

	Unlisted equity instrument RMB'000
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Purchases	150,000
Total gains in other comprehensive income	4,628
At 31 December 2021	154,628

For the year ended 31 December 2021, included in the above total gains is an amount of RMB4,628,000 (2020: nil) gain relating to unlisted equity investment designated at FVTOCI held at the end of the year.

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The chief financial officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair values of the assets and liabilities.

44. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments (Continued)

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, financial assets included in other receivables, trade and bills payables, financial liabilities included in other payables and accruals, bank borrowings-due within one year, medium-term debentures and bonds – due within one year and short-term debentures and notes approximate to their carrying amounts largely due to the short term maturities of these instruments. Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2021		31 December 2020	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Listed				
Medium-term debentures and notes – due after one year	**–**	**–**	9,755,504	9,720,304
Guaranteed notes	**6,332,831**	**6,378,885**	3,242,270	3,115,001
Unlisted				
Medium-term debentures and notes – due after one year	**9,544,944**	**9,328,315**	3,589,874	3,425,271
Bank borrowings – due after one year	**15,370,878**	**11,474,907**	11,483,498	9,152,703
Liability component of convertible bonds	**2,992,358**	**3,378,018**	1,215,939	1,575,167

44. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments (Continued)

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	As at 31 December 2021			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities at amortised cost:				
Medium-term debentures and notes				
– due after one year – unlisted	**–**	**9,328,315**	**–**	**9,328,315**
Bank borrowings-due after one year	**–**	**11,474,907**	**–**	**11,474,907**
Liability component of convertible bonds	**–**	**3,378,018**	**–**	**3,378,018**
Guaranteed notes	**6,378,885**	**–**	**–**	**6,378,885**
	6,378,885	**24,181,240**	**–**	**30,560,125**

	As at 31 December 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at amortised cost:				
Medium-term debentures and notes				
– due after one year – listed	9,720,304	–	–	9,720,304
Medium-term debentures and notes				
– due after one year – unlisted	–	3,425,271	–	3,425,271
Bank borrowings-due after one year	–	9,152,703	–	9,152,703
Liability component of convertible bonds	–	1,575,167	–	1,575,167
Guaranteed notes	3,115,001	–	–	3,115,001
	12,835,305	14,153,141	–	26,988,446

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of listed medium-term debentures and notes due after one year and guaranteed notes are included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 above has been determined using the quoted bid prices in an active market.

- The fair value of unlisted medium-term debentures and notes, bank borrowings due after one year and liability component of convertible bonds are included in Level 2 of the fair value hierarchy. The fair values of the financial liabilities included in the Level 2 category above have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY

In October 2021, the Group acquired 55% of the equity interest in Honghua Zhida, an associate of the Company, from 北京宏華智達科技投資管理有限公司, an independent third party, at a consideration of RMB422,000,000. Upon additional acquisition of equity interest in Honghua Zhida, the Group's equity interest in Honghua Zhida was increased from 45% to 100% and Honghua Zhida become a subsidiary of the Company. The acquisition was completed on the same date. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB59,945,000. Honghua Zhida is engaged in the technology promotion and application service industry. Honghua Zhida was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to approximately RMB580,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2021, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	1,449,849
Interests in associates	513,183
Right-of-use assets	112,264
Prepayments and other receivables	844,194
Cash and cash equivalents	60,394
Trade payables	(96,848)
Other payables and accruals	(47,306)
Deferred tax liabilities	(18,409)
Deferred income	(300,000)
Total identifiable net assets at fair value	2,517,321
Non-controlling interests	(87,244)
Total identifiable net assets at fair value attributable to the Group	2,430,077

The fair value of other receivables amounted to approximately RMB537,827,000. The gross amount and recoverable amount of other receivables amounted to approximately RMB537,827,000. None of the receivables have been impaired and it is expected that the full amounts can be collected.

45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	422,000
Fair value of previously held equity interest	1,948,132
	2,370,132
Less: fair value of net assets of acquired	(2,430,077)
Gain on bargain purchase	(59,945)

Bargain purchase gain amounting to approximately RMB59,945,000 on acquisition of Honghua Zhida is recognised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	422,000
Less: cash and cash equivalent acquired	(60,394)
Net cash outflow on acquisition	361,606

Impact of acquisition on the result of the Group

Included in the profit for the year was approximately a loss of RMB5,506,000, attributable to the additional business generated by Honghua Zhida. Revenue for the year ended 31 December 2021 includes approximately RMB32,000 generated from Honghua Zhida.

Had the acquisition been completed in 1 January 2021, total revenue of the Group for the year ended 31 December 2021 would have been approximately RMB114,491,225,000 and profit for the year would have been approximately RMB16,882,437,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on in 1 January 2021, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Hongzhu Zhida been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of acquisition.

* The English translation is for reference only.

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

In November 2020, upon additional capital contribution being made by a non-controlling shareholder of Weiqiao Haiyi, the registered capital of Weiqiao Haiyi was increased from RMB10,000,000 to RMB20,000,000 and the Group's equity interest in Weiqiao Haiyi was diluted from 60% to 30%. The transaction was accounted for as partial disposal of a subsidiary resulting in loss of control. The retained interest in Weiqiao Haiyi was accounted for as an associate as the Group can exercise significant influence over Weiqiao Haiyi. The partial disposal was completed on 3 December 2020. The fair value of the 30% retained interests in Weiqiao Haiyi, at the date on which control was lost was regarded as the cost in initial recognition of the Group's interests in associates. The net assets of Weiqiao Haiyi at the date of disposal were as follows:

	RMB'000
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)
Net assets disposed of	3,657
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)
Gain on partial disposal of a subsidiary	1,406
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(261)

* The English translation is for reference only.

47. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year ended 31 December 2021, the Group had the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

Disposal of interest in subsidiaries without loss of control

a) During the year ended 31 December 2021, upon additional capital contribution of RMB3,800,000,000 being made by certain independent investors to Shandong Hongqiao, the Group's equity interest in Shandong Hongqiao was diluted from 100% to 94.52%. The transaction was accounted for as partial disposal of a subsidiary without loss of control. This resulted in an increase in non-controlling interests of approximately RMB4,341,130,000 and a decrease in equity attributable to owners of the parent of approximately RMB541,130,000. A schedule of the effect of disposal of interest is in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(4,341,130)
Consideration received from non-controlling interests	3,800,000
Difference recognised in capital reserve within equity	(541,130)

b) During the year ended 31 December 2021, the Group disposed of 5% interest out of 100% interest in Shandong Honghe Lightweight Technology Co., Ltd* 山東宏和輕量化科技有限公司 ("Honghe Lightweight"), at a consideration of RMB2,500,000. This resulted in an increase in non-controlling interests of approximately RMB2,500,000. A schedule of the effect of disposal of interest is in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(2,500)
Consideration received from non-controlling interests	2,500
Difference recognised in capital reserve within equity	–

* The English translation is for reference only

48. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and borrowings granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	2021 **RMB'000**	2020 RMB'000
Restricted bank deposits (note 30)	**1,623,874**	1,542,098
Property, plant and equipment (note 16)	**11,803,565**	12,203,099
Right-of-use assets (note 17)	**499,916**	293,636

49. COMMITMENTS

	2021 **RMB'000**	2020 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**1,618,260**	2,205,218

50. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group had the following related parties transactions.

(a) During the year, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye	note iii
Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited ("Ming Hong Textile") 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
CITIC Trust	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank International ("CITIC Bank")	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank ("China CITIC Bank") 中信銀行股份有限公司	Controlled by CITIC Group Corporation (note ii)
Binzhou City Construction Investment Development Co. Ltd. ("Binzhou Investment") 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd ("Shandong Ruixin") 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Railway Engineering Co., Ltd. ("Beihai Weiqiao Railway") 濱州北海魏橋鐵路工程有限公司 (note i)	Controlled by Weiqiao Chuangye
Zhanhua Weiqiao Port Logistics Co., Ltd. ("Zhanhua Weiqiao Port Logistics") 沾化魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Wudi Weiqiao Port Logistics Co., Ltd. ("Wudi Weiqiao Port Logistics") 無棣魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
PT. Harita Jayaraya ("Harita Jayaraya")	note iv
PT. Cita Mineral Investindo, Tbk.	note iv
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply") 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
Innovation Carbon New Material	An associate of a wholly-owned subsidiary of the Company
ABM	An associate of a wholly-owned subsidiary of the Company
GTS	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company
SMB	An associate of a wholly-owned subsidiary of the Company
Binneng Energy	An associate of a wholly-owned subsidiary of the Company
Weiqiao Haiyi	An associate of a wholly-owned subsidiary of the Company

50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

i. The English translation is for reference only.

ii. In 2020, CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 9.88% of the total issued shares of the Company, were both indirect subsidiaries of CITIC Group Corporation. On 2 December 2020, the Group issued 307,500,000 ordinary shares of US$0.01, therefore the shareholding of CITIC Group Corporation was below 10% and no longer be the related party of the Group since the year ended 31 December 2020.

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

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

50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

During the year, the Group entered into the following transactions with related parties:

	Notes	**2021 RMB'000**	2020 RMB'000
Purchases of water			
Jinsha Water Supply	(a)	**(21,633)**	(24,037)
Weiqiao Chuangye	(b)	**(40,595)**	(36,399)
Industrial waste expenses			
Beihai Solid Waste	(b)	**(162,185)**	(183,227)
Purchases of bauxite			
GTS	(i)	**(7,092,966)**	(8,149,746)
PT. Cita Mineral Investindo, Tbk.	(a)	**(229,692)**	(246,420)
Purchase of electricity			
Binneng Energy	(i)	**(12,204,938)**	(9,580,417)
Purchases of anode carbon block			
Innovation Carbon New Material	(i)	**(1,426,136)**	(650,379)
Purchase of right-of-use assets			
Weiqiao Chuangye	(a)	**(151,261)**	–
Sales of steam			
Binzhou Industrial Park	(a)	**12,020**	10,354
Ming Hong Textile	(a)	**3,119**	3,611
Binzhou Investment	(a)	**24,311**	25,838
Zhanhua Weiqiao Port Logistics	(a)	**334**	–
Legal and professional fee			
Shandong Ruixin	(a)	**(2,735)**	(7,615)
Sales of scraps material			
Beihai Solid Waste	(a)	**758**	–
Beihai Weiqiao Railway	(a)	**3**	–
Zhanhua Weiqiao Port Logistic	(a)	**76**	–
Wudi Weiqiao Port Logistics	(a)	**98**	–
Weiqiao Haiyi	(a)	**299**	–
Lease payment			
Weiqiao Chuangye	(a), (c), (f), (g)	**(12,590)**	(6,353)
Harita Jayaraya	(e), (h)	**(1,308)**	(1,387)
PT. Antar Sarana Rekasa	(d)	**(8,161)**	(8,597)
Bank interest income			
China CITIC Bank	(a)	**–**	410
Interest income from an associate			
Binneng Energy	(i)	**114,780**	133,569
Interest expenses on bank borrowings			
CITIC Bank	(a)	**–**	(28,901)
China CITIC Bank	(a)	**–**	(301,473)
Purchases of collective investment trust			
CITIC Trust	(a)	**–**	(2,499,000)
Investment income			
CITIC Trust	(a)	**–**	89,663

50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(a) The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14A.76 of the Listing Rules.

(b) The related party transactions in respect of (b) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

(c) For the year ended 31 December 2018, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is RMB41,722,000 (2020: RMB43,003,000).

(d) For the year ended 31 December 2019, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is nil (2020: RMB7,654,000).

(e) For the year ended 31 December 2019, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is nil (2020: nil).

(f) For the year ended 31 December 2020, the Group entered into a three-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB766,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is approximately RMB14,088,000 (2020: RMB22,550,000).

(g) For the year ended 31 December 2021, the Group entered into a three-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB626,000 per year. As at 31 December 2021, the carrying amount of such lease liabilities is approximately RMB1,234,000 (2020: nil).

(h) For the year ended 31 December 2021, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB103,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is approximately RMB999,000 (2020: nil).

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

50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the year:

	2021 RMB'000	2020 RMB'000
Loans to associate		
ABM	**701,327**	717,739
Binneng Energy	**2,000,000**	2,000,000
Trade payables		
GTS	**(316,349)**	(84,839)
Innovation Carbon New Material	**(748,799)**	(166,424)
Jinsha Water Supply	**(3,105)**	(2,599)
Weiqiao Chuangye	**(29,633)**	(8,974)
PT. Cita Mineral Investindo, Tbk.	**(36,419)**	(30,181)
Trade receivables		
Ming Hong Textile	**84**	119
Prepayment		
Binneng Energy	**3,626,005**	3,617,585

(b) Compensation of key management personnel

	2021 RMB'000	2020 RMB'000
Short term employee benefit	**7,433**	4,133
Retirement benefits scheme contributions	**115**	20
	7,548	4,153

Further details of the directors' and chief executive's emoluments are included in note 12 to the consolidated financial statements.

50. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	2021 RMB'000	2020 RMB'000
Weiqiao Chuangye	960,000	1,299,000

51. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2021, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB264,609,000 (2020: RMB140,341,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

During the year ended 31 December 2021, no utilisation of forfeited contributions were offset the contributions obligation.

52. LITIGATION

China Sixth Metallurgical Construction Co., Ltd. * ("China Sixth Metallurgical") 中國有色金屬工業第六冶金建設有限公司, a subsidiary of China Aluminum International Engineering Corporation Limited * 中鋁國際工程股份有限公司, prosecuted the Group in November 2019 in relation to default of construction cost and relevant interest expenses in aggregation of approximately RMB224,880,000. The litigation involved four construction contracts which covered the period from April 2012 to June 2016 and January 2015 to January 2017 respectively. Such cases were accepted by the local courts in December 2019 and the Group negotiated with China Sixth Metallurgical for possible settlement. In January 2020, China Sixth Metallurgical cancelled the prosecutions against the Group and the Group paid approximately RMB60,000,000 to China Sixth Metallurgical as an out of court settlement during the year ended 31 December 2020.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes					
	1 January 2021 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Early termination RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2021 RMB'000
Bank borrowings	34,260,898	643,029	–	–	1,697,852	(220,028)	–	36,381,751
Lease liabilities	83,689	(22,679)	25,945	(27,491)	2,453	(186)	–	61,731
Liability component of CBs	1,215,939	1,422,563	–	–	394,141	(40,285)	–	2,992,358
Derivatives component of CBs	550,111	301,887	–	–	–	(14,992)	117,350	954,356
Medium-term debentures and notes	36,120,076	(24,142,654)	–	–	1,166,171	–	–	13,143,593
Short-term debentures and notes	–	1,485,872	–	–	14,128	–	–	1,500,000
Guaranteed notes	3,242,270	2,858,852	–	–	351,229	(119,520)	–	6,332,831
Interest payable	1,473,016	(862,040)	–	–	–	–	–	610,976
	76,945,999	(18,315,170)	25,945	(27,491)	3,625,974	(395,011)	117,350	61,977,596

			Non-cash changes				
	1 January 2020 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2020 RMB'000
Bank borrowings	32,574,477	1,827,139	–	–	(140,718)	–	34,260,898
Other borrowing	1,391,446	(1,399,600)	–	–	8,154	–	–
Lease liabilities	90,733	(35,452)	25,980	3,633	(1,205)	–	83,689
Liability component of CBs	1,150,555	–	–	143,225	(77,841)	–	1,215,939
Derivatives component of CBs	279,937	–	–	–	(18,620)	288,794	550,111
Medium-term debentures and notes	40,025,013	(3,760,086)	–	(144,851)	–	–	36,120,076
Guaranteed notes	3,457,313	–	–	16,703	(231,746)	–	3,242,270
Interest payable	1,662,187	(4,676,697)	–	4,487,526	–	–	1,473,016
	80,631,661	(8,044,696)	25,980	4,506,236	(461,976)	288,794	76,945,999

54. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Plant and equipment		**35**	61
Right-of-use assets		**5,349**	8,997
Investment in subsidiaries		**11,199,239**	11,199,239
Other receivables		**701,327**	717,739
Amounts due from subsidiaries	(i)	**11,477,729**	10,739,771
Financial assets at fair value through other comprehensive income		**904,278**	633,652
		24,287,957	23,299,459
Current assets			
Trade receivables		**45,033**	–
Prepayment and other receivables		**1,391**	1,435
Amount due from immediate holding company	(ii)	**27**	27
Other financial asset		**99**	–
Income tax recoverable		**–**	82,496
Cash and cash equivalents		**117,207**	194,544
		163,757	278,502
Current liabilities			
Trade payables		**41,060**	–
Other payables		**205,782**	99,582
Lease liabilities		**3,600**	5,990
Bank borrowings – due within one year		**1,076,024**	1,562,364
Liability component of convertible bonds – due within one year		**1,358,611**	–
Guaranteed notes – due within one year		**1,908,945**	–
Derivative component of convertible bonds – due within one year		**713,086**	–
Other financial liabilities		**4,497**	4,942
		5,311,605	1,672,878
Net current liabilities		**(5,147,848)**	(1,394,376)
Total assets less current liabilities		**19,140,109**	21,905,083
Non-current liabilities			
Lease liabilities		**1,973**	2,835
Amount due to a subsidiary	(ii)	**680,364**	63,589
Bank borrowings – due after one year		**2,154,612**	1,174,482
Liability component of convertible bonds – due after one year		**1,633,747**	1,215,939
Guaranteed notes – due after one year		**4,423,886**	3,242,270
Derivative component of convertible bonds – due after one year		**241,270**	550,111
		9,135,852	6,249,226
Net assets		**10,004,257**	15,655,857
Capital and reserves			
Share capital		**595,139**	579,318
Reserves	(iii)	**9,409,118**	15,076,539
Total equity		**10,004,257**	15,655,857

54. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(i) The amounts due from subsidiaries are unsecured and repayable after one year. Except for balances of approximately RMB4,534,764,000 (2020: RMB4,682,789,000) carrying interest at fixed rate ranged from 5% to 8% (2020: ranged from 5% to 8%) per annum, the remaining balances are interest-free. The fair value of interest-free portion is estimated at approximately RMB6,942,965,000 (2020: RMB6,056,982,000) by using the effective interest rate of 4.9% per annum.

(ii) The amounts due from (to) immediate holding company / a subsidiary are unsecured, interest-free and repayable on demand.

(iii) Movement in reserves

	Share premium RMB'000	**Share reserve**[a] RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2020	19,311,652	3,193,854	(4,405,976)	18,099,530
Loss and total comprehensive expense for the year	–	–	(859,420)	(859,420)
Dividend paid	–	–	(3,760,997)	(3,760,997)
Issue of shares (note 41)	1,597,426	–	–	1,597,426
At 31 December 2020 and 1 January 2021	**20,909,078**	**3,193,854**	**(9,026,393)**	**15,076,539**
Loss and total comprehensive expense for the year	**–**	**–**	**(407,227)**	**(407,227)**
Dividend paid	**–**	**–**	**(7,184,483)**	**(7,184,483)**
Issue of shares (note 41)	**1,924,289**	**–**	**–**	**1,924,289**
At 31 December 2021	**22,833,367**	**3,193,854**	**(16,618,103)**	**9,409,118**

1. Share reserve represented capitalisation of amount due to a related party in previous year.

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2021 %	2020 %	2021 %	2020 %	2021 %	2020 %	
China Hongqiao Investment Limited	British Virgin Islands ("BVI")	Ordinary Shares	US$200	**100**	100	**-**	–	**100**	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	**-**	–	**100**	100	**100**	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	**61**	61	**-**	–	**61**	61	Manufacture and sale of alumina
Hongqiao (HK) International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	**-**	–	**100**	100	**100**	100	Inactive
Shandong Hongqiao	PRC	Ordinary Shares	RMB11,759,333,009	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd. * 鄒平縣宏利熱電有限公司	PRC	Ordinary Shares	RMB1,817,065,373	**-**	–	**94.52**	100	**94.52**	100	Production and sale of electricity
Zhouping Hongmao New Material Technology Co., Ltd. * 鄒平縣宏茂新材料科技有限公司	PRC	Ordinary Shares	RMB1,500,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Zhouping Hongzheng New Material Technology Co., Ltd * 鄒平縣宏正新材料科技有限公司	PRC	Ordinary Shares	RMB700,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Shandong Weiqiao Aluminum & Power Co., Ltd. * ("Shandong Weiqiao") 山東魏橋鋁電有限公司	PRC	Ordinary Shares	RMB13,000,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Zouping County Hongxu Thermal Power Co., Ltd., *("Hongxu Power") 鄒平縣宏旭熱電有限公司	PRC	Ordinary Shares	RMB8,200,000,000	**-**	–	**94.52**	100	**94.52**	100	Production and sale of electricity
Zouping Huiju New Material Technology Co., Ltd. * 鄒平縣匯聚新材料科技有限公司	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	**-**	–	**94.52**	100	**94.52**	100	Research and development, sale of bauxite, manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly 2021 %	Directly 2020 %	Indirectly 2021 %	Indirectly 2020 %	Proportion of voting power held by the Group 2021 %	2020 %	Principal activities
Zouping Huicai New Material Technology Co., Ltd. * 鄒平縣匯才新材料科技有限公司	PRC	Ordinary Shares	RMB3,700,000,000	-	–	94.52	100	94.52	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huisheng New Material Technology Co., Ltd. * 鄒平縣匯盛新材料科技有限公司	PRC	Ordinary Shares	RMB5,900,000,000	-	–	94.52	100	94.52	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huimao New Material Technology Co., Ltd. * 鄒平縣匯茂新材料科技有限公司	PRC	Ordinary Shares	RMB5,500,000,000	-	–	94.52	100	94.52	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Huimin Huihong New Material Co., Ltd. * 惠民縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB5,000,000,000	-	–	94.52	100	94.52	100	Manufacture and sale of aluminum products
Zhanhua Huihong New Material	PRC	Ordinary Shares	RMB3,000,000,000	-	–	94.52	100	94.52	100	Manufacture and sale of aluminum products
Yangxin New Material Co., Ltd. * 陽信縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	–	94.52	100	94.52	100	Manufacture and sale of aluminum products
Binzhou Beihai New Material Co., Ltd. * 濱州北海匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,500,000,000	-	–	94.52	100	94.52	100	Manufacture and sale of aluminum products
Binzhou Hongnuo New Material Co. Ltd. * 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	–	94.52	100	94.52	100	Manufacture and sale of aluminum products
Shandong Hongqiao Financial Leasing Co., Ltd. * 山東宏橋融資租賃有限公司	PRC	Ordinary Shares	US$200,000,000	-	–	100	100	100	100	Financial leasing
Shandong Hongfan Industrial Co., Ltd. * 山東宏帆實業有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	–	94.52	100	94.52	100	Manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2021 %	2020 %	**2021 %**	2020 %	**2021 %**	2020 %	
Binzhou Hongzhan Aluminum Technology Co., Ltd. * 濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Zouping Hongfa Aluminum Technology Co., Ltd. * 鄒平宏發鋁業科技有限公司	PRC	Ordinary Shares	RMB700,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Shandong Hongbin International Business Co., Ltd. * 山東宏濱國際商貿有限公司	PRC	Ordinary Shares	RMB30,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Binzhou Municipal Beihai Xinhe New Material Co., Ltd. * ("Beihai Xinhe") 濱州市北海信和新材料有限公司	PRC	Ordinary Shares	RMB2,100,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	**-**	–	**26.64**	28.18	**26.64**	28.18	Manufacture and sale of aluminum products
Chongqing Weiqiao	PRC	Ordinary Shares	RMB500,000,000	**-**	–	**61.26**	65	**61.26**	65	Provision of financing
Yunnan Hongtai New Material Co., Ltd * 雲南宏泰新型材料有限公司	PRC	Ordinary Shares	RMB12,000,000,000	**-**	–	**70.89**	75	**70.89**	75	Manufacture and sale of aluminum products
Yunnan Hongqiao New Material Co., Ltd. * 雲南宏橋新型材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products
Shandong Weiqiao Lightweight Material Co., Ltd. * 山東魏橋輕量化材料有限公司	PRC	Ordinary Shares	RMB100,000,000	**-**	–	**94.52**	100	**94.52**	100	Manufacture and sale of aluminum products

* For identification purpose only

Note:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 26.64% (2020: 28.18%) equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB14,643,593,000 (2020: RMB36,120,076,000) of debt securities at the end of the year:

	Total and held by third parties	
	2021	2020
	RMB'000	RMB'000
Shandong Hongqiao	**7,092,590**	20,346,968
Shandong Weiqiao	**7,551,003**	15,773,108

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC, Singapore, BVI, Hong Kong and Guinea (2020: the PRC, Singapore, BVI and Guinea). The principal activities of these subsidiaries are summarised as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		2021	2020
Sales of aluminum products	The PRC	**11**	11
Sales of metal products	The PRC	**–**	1
Sales of scrap materials	The PRC	**1**	1
Capital investor	The PRC	**–**	1
Various trading business	The PRC	**–**	2
Energy enhancement solution services	The PRC	**–**	1
Delivery service	The PRC	**1**	1
Reclamation and utilisation of waste	The PRC	**4**	5
Wholesale of bauxite, alumina and aluminum products	The PRC	**3**	2
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**5**	5
Technology promotion and application service industry	The PRC	**3**	–
Investment management	The PRC	**1**	–
Investment holdings	The PRC	**2**	–
Others	Hong Kong	**1**	–
Others	The PRC	**16**	–
		51	33

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Loss attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Hongchuang and its subsidiaries	PRC	**73.44%**	71.82%	**73.44%**	71.82%	**(57,871)**	(122,450)	**987,838**	1,045,709

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intergroup eliminations.

Hongchuang and its subsidiaries

	2021 RMB'000	2020 RMB'000
Current assets	**1,827,308**	1,139,314
Non-current assets	**1,236,205**	1,268,755
Current liabilities	**(1,627,172)**	(939,863)
Non-current liabilities	**(59,127)**	(12,192)
Equity attributable to owners of the Company	**389,376**	410,305
Non-controlling interest	**987,838**	1,045,709
Revenue	**3,190,524**	2,367,055
Expenses	**(3,269,324)**	(2,537,549)
Loss for the year	**(78,800)**	(170,494)
Loss attributable to owners of the Company	**(20,929)**	(48,044)
Loss attributable to the non-controlling interest	**(57,871)**	(122,450)
Loss and total comprehensive expense for the year	**(78,800)**	(170,494)
Total comprehensive expense attributable to owners of the Company	**(20,929)**	(48,044)
Total comprehensive expense attributable to the non-controlling interest	**(57,871)**	(122,450)
Total comprehensive expense for the year	**(78,800)**	(170,494)
Net cash (outflows) inflows from operating activities	**(50,373)**	56,354
Net cash outflows from investing activities	**(1,768)**	(67,513)
Net cash inflows (outflows) from financing activities	**181,419**	(2,523)
Net cash inflows (outflows)	**129,278**	(13,682)

56. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2021, the Group transferred right-of-use assets of approximately RMB166,408,000 to investment properties and investment properties of approximately RMB164,376,000 to right-of-use assets.

During the year ended 31 December 2021, the Group recognised capital reserve of RMB288,000 (2020: RMB300,000) which represented capital injection in an associate.

During the year ended 31 December 2021, the Group entered into new arrangement in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB25,945,000 (2020: RMB25,980,000) were recognised at the commencement of the lease.

During the year ended 31 December 2020, the Group transferred plant and equipment and right-of-use assets of approximately RMB1,135,000 and RMB3,053,000 respectively to investment properties.

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

57. EVENT AFTER THE REPORTING PERIOD

In February 2022, US$98,400,000 of 2017 CBs of the Company was converted into 132,919,875 ordinary shares of US$0.01 each at a conversion price of HK$5.79 per share. Further details are set out in the announcement of the Company dated 1 March 2022.