

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

Interim Report
2021

Contents

Corporate Information	2
Financial Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	8
Supplementary Information	17
Report on Review of Interim Condensed Consolidated Financial Information	25
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	26
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	27
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	29
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	31
Notes to the Interim Condensed Consolidated Financial Information (Unaudited)	33

Corporate Information

EXECUTIVE DIRECTORS

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

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Zhang Bo
Ms. Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

Suite 5108, 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

Corporate Information

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1110
Cayman Islands

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

Ms. Wong Yuting
Tel: (852) 2815 1080
Fax: (852) 2815 0089
Email: christine@hongqiaochina.com

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 30 JUNE 2021

9,121,352,349

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

China Times Corporate Advisory Limited
Tel: (852) 2960 9696
Fax: (852) 3428 3012
Email: pr@ctimes.hk
Address: 16/F., Zoroastrian Building, 101 Leighton Road, Causeway Bay, Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDAR

Interim Results Announcement Date
20 August 2021

COMPANY WEBSITE

www.hongqiaochina.com

EXPECTED DATE OF INTERIM DIVIDEND PAYMENT

26 November 2021

Financial Highlights

(Unaudited financial data prepared in accordance with the IAS)

For the six months ended 30 June

(RMB'000)

	2021	2020	Change
Revenue	52,480,549	39,938,675	+31.4%
Gross profit	15,735,770	6,468,399	+143.3%
Gross profit margin (%)	30.0	16.2	+13.8 p.p
Net profit margin (%)	16.1	7.0	+9.1 p.p
Net profit attributable to shareholders of the Company	8,142,519	2,831,849	+187.5%
Basic earnings per share (RMB)	0.903	0.330	+173.6%

As at 30 June

(RMB'000)

	2021	2020	Change
Cash and cash equivalents	49,764,694	41,079,476	+21.1%
Total capital (total equity + total debt)	155,598,428	147,367,171	+5.6%
EBITDA/Interest coverage ratio	9.2	4.2	+5.0 times
Debt/EBITDA (times)	2.0	4.4	-2.4 times
Debt/Total capital (%)	44.1	54.9	-10.8 p.p
Accounts receivable turnover (days)	29	45	-16 days
Accounts payable turnover (days)	67	73	-6 days
Inventory turnover (days)	96	116	-20 days

Chairman's Statement

To all shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of China Hongqiao Group Limited (the “Company” or “China Hongqiao”), I am pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (the “Period” or “Period under Review”).

In the first half of 2021, benefiting from the wide adoption of COVID-19 vaccination and strengthened efforts made for fiscal stimulus in various countries such as the United States and Japan, the global economic recovery momentum became stronger. During the Period, China's domestic economy continued to maintain a stable recovery, and thus a promising outlook could be further secured. According to the statistics of the National Bureau of Statistics of China, the gross domestic product for the first half of 2021 amounted to approximately RMB53,216.7 billion, representing a year-on-year increase of approximately 12.7%.

From the industry perspective, in the first half of 2021, with the sustained global economic recovery momentum, the aluminum consumption recovered and grew. As for the supply side of the aluminum industry, as the supply of primary aluminum in the PRC reached the maximum production capacity, and under such circumstance, it is expected that the real estate, automobile and infrastructure industries may continue their steady growth momentum in light of the sustained positive macroeconomic development in the PRC in the second half of the year, which will boost aluminum consumption, thereby driving aluminum prices to surge significantly and favouring the continued development of the aluminum industry in the medium- to long-term. Benefited from the strong prevention and control measures of the Chinese government, there was no material impact of the pandemic on the overall operation of the Group during the Period; however, the Group's business and operation were still facing uncertainties as affected by factors such as the pandemic resurgence, trade frictions, resources and environmental policies and industrial structure adjustment.

During the Period under Review, the Group continued to be committed to high-quality and sustainable development under the guidance of new development concepts by vigorously optimising its energy structure, implementing industrial transformation and upgrading and maintaining positive and effective performance in green development. In particular, the contracted production capacity of the Yunnan green aluminum innovation industrial park after the relocation is completed will enable the Group to increase the proportion of its aluminum production capacity from clean energy to approximately one-third. This project has become a role model for green development of the aluminum industry in the PRC. At the same time, the Group's lightweight material project based on the strategy of “Three New (new infrastructure, new material and new applications) and One High (high value-added)” was also in orderly progress. In addition, the Sino-German Hongqiao Scholz Circular Economy Science & Technology Project by the Group and Germany's Scholz China GmbH officially commenced in May 2021. The project is a circular economy technology project focusing on the recycling of metal and resource reuse and is constructed for both domestic and international circular economy industrial parks with the highest standards. It is also one of the specific initiatives that the Group has taken for proactively implementing the low-carbon transformation and facilitating the PRC to achieve the goals of “reaching the peak of carbon emissions and achieving carbon neutrality” (the “Dual Carbon” goals) to respond to the global climate change. As for overseas business, the Group's bauxite mining in Guinea continued and the construction of the phase 2 alumina project in Indonesia was progressing smoothly.

Chairman's Statement

During the Period under Review, the Group's revenue amounted to approximately RMB52,480,549,000, representing a year-on-year increase of approximately 31.4%; gross profit amounted to approximately RMB15,735,770,000, representing a year-on-year increase of approximately 143.3%; net profit attributable to shareholders of the Company amounted to approximately RMB8,142,519,000, representing a year-on-year increase of approximately 187.5%; and basic earnings per share amounted to approximately RMB0.903 (the corresponding period of 2020: approximately RMB0.330). The Board resolved payment of an interim dividend of HK45.0 cents per share for 2021 (the corresponding period of 2020: HK15.0 cents).

In the first half of 2021, adhering to its business models of "Integration of Upstream and Downstream Businesses", "Global Integration", and "Green Smart Integration", the Group proactively seized the favorable opportunities to expedite the transformation and upgrading for its development through various initiatives such as actively adjusting its energy structure, optimising its industrial layout and increasing investment in scientific research and innovation, so that the quality of development could be improved further. During the Period, the demonstration project of standardised energy-saving production of electrolytic aluminum of Shandong Weiqiao Aluminum & Power Co., Ltd. ("Weiqiao Aluminum & Power"), a subsidiary of the Group, successfully passed the inspection for acceptance of the Standardisation Administration of the PRC. Weiqiao Aluminum & Power's model of standardised electrolytic aluminum production will play a positive leading role in further enhancing energy efficiency in the industry.

In pursuing debt structure optimisation, the Group continued to deleverage and completed a number of financing projects through diversified channels at the same time, further consolidating the sustainable development of the Group. During the Period under Review, the Company raised funds of HK\$2,324,000,000 by way of top-up placing and successfully issued US\$500,000,000 6.25% senior unsecured notes due 2024 and US\$300,000,000 5.25% convertible bonds due 2026, and Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao"), a subsidiary of the Company, also successfully completed the issuance of corporate bonds with a principal amount of RMB1,000,000,000 during the Period, all of which were heavily oversubscribed by domestic and foreign investors, fully reflecting the fact that the Group is highly recognised by the capital market.

Looking forward to the second half of the year, the Group believes that with the solid development foundation and steadily increasing consumption demand for aluminum, China's aluminum industry will maintain its positive operating momentum. However, as the global pandemic has not completely vanished, there will still be both challenges and opportunities for the aluminum industry ahead. As always, being a leading enterprise in the industry, the Group will continue to actively respond to the "Dual Carbon" goals of the PRC by proactively fulfilling the responsibility of reducing carbon emissions and firmly implementing effective initiatives for achieving the "Dual Carbon" goals. Through the implementation of relevant strategic planning projects, streamlining its systems and taking more effective measures for reducing carbon emissions, the Group will further improve its basic corporate management standard while effectively fulfilling its social responsibilities, and strive to make positive contributions to promoting the low-carbon transformation of the industry and achieving the "Dual Carbon" goals of the PRC to counter the effects of global climate change.

Chairman's Statement

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 the first half of 2021, and to our shareholders, investors and business partners for their support and trust.

Mr. Zhang Bo

Chairman of the Board

20 August 2021

Management Discussion and Analysis

INDUSTRY REVIEW

In the first half of 2021, the global economy maintained its recovery momentum amid the gradually mitigated pandemic around the world. With the support of fiscal stimulus policies of various countries, the suppressed consumer demand was released and the manufacturing industry continued to expand, laying the foundation for the rise in the price of LME aluminum. As for the domestic market, influenced by the “Dual Carbon” goals, the supply of primary aluminum continued to be relatively tightened, however, the consumer demand increased steadily under the improved economic environment, driving the aluminum price to surge significantly and consolidate at a high level. During the Period, the aluminum price in both domestic and overseas markets showed a notable rising trend. In the first half of 2021, the average price of three-month aluminum futures at the London Metal Exchange (LME) was approximately US\$2,256/ton, representing an increase of approximately 39.1% as compared with the corresponding period last year; and the average price of three-month aluminum futures at the Shanghai Futures Exchange (SHFE) was approximately RMB17,330/ton (including value-added tax), representing an increase of approximately 33.5% as compared with the corresponding period last year. (Source of data: Beijing Antaike Information Co., Ltd. (“Antaike”))

During the Period under Review, from the demand perspective, with the gradual recovery of overseas economies, the expansion of manufacturing industry boosted the rapid growth of overseas aluminum consumption. In addition, following China’s further development in all aspects of the economy, more conventional industries such as durable consumer goods, electricity and electric power staged a strong recovery, together with the implementation of policies for the “Dual Carbon” goals, the domestic aluminum consumption in the emerging industries such as the new energy vehicle and photovoltaic industries also showed relatively satisfactory performance. On the supply side, in the first half of 2021, the production capacity of overseas primary aluminum increased driven by the active production of enterprises in light of the high profit of primary aluminum. Despite the expanding restrictions on the production side of primary aluminum in the PRC by a series of factors such as the implementation of policies for the “Dual Carbon” goals, the control over energy consumption, the tightened electricity supply and the examination and maintenance of production capacity, the output of primary aluminum increased as compared with the corresponding period last year.

According to statistics from Antaike, the global output of primary aluminum in the first half of 2021 was approximately 33.777 million tonnes, representing a year-on-year increase of approximately 5.1%; the global consumption of primary aluminum in the first half of 2021 was approximately 33.899 million tonnes, representing a year-on-year increase of approximately 9.9%. For the domestic market, the output of primary aluminum in the PRC in the first half of 2021 was approximately 19.577 million tonnes, representing a year-on-year increase of approximately 7.9% and accounting for approximately 58.0% of the global output of primary aluminum; the consumption of primary aluminum in the PRC in the first half of 2021 was approximately 19.899 million tonnes, representing a year-on-year increase of approximately 8.5% and accounting for approximately 58.7% of the global consumption of primary aluminum.

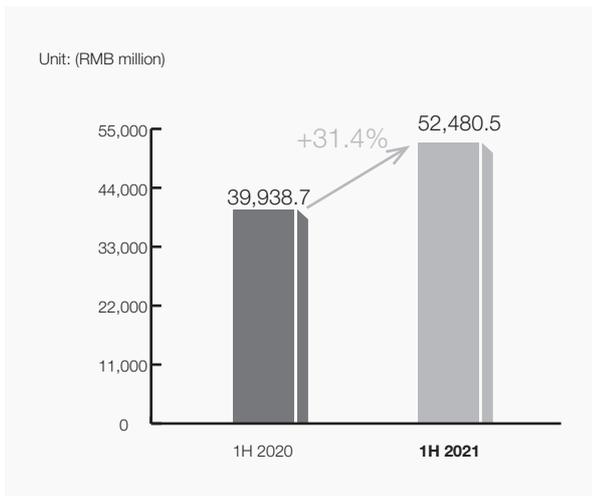
Management Discussion and Analysis

BUSINESS REVIEW

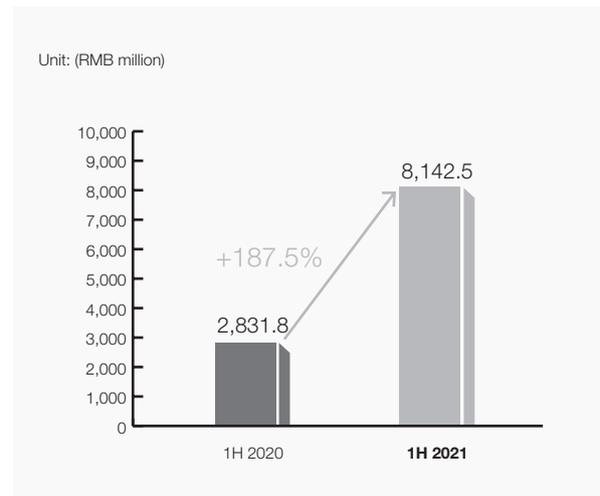
During the Period, the Group's output of aluminum alloy products and aluminum fabrication products was approximately 2.801 million tonnes and 0.369 million tonnes, respectively, representing a slight increase as compared with the corresponding period last year.

The comparative figures of the Group's unaudited revenue and net profit attributable to shareholders of the Company for the six months ended 30 June 2021 and for the corresponding period of 2020 are as follows:

Revenue (Unaudited)



Net profit attributable to shareholders of the Company (Unaudited)



For the six months ended 30 June 2021, the Group's revenue was approximately RMB52,480,549,000, representing an increase of approximately 31.4% as compared with the corresponding period last year, mainly due to the significant increase in the price of aluminum alloy products of the Group as compared with the corresponding period last year and the increase in the revenue derived from its alumina products attributable to the increase in sales of its alumina products.

For the six months ended 30 June 2021, net profit attributable to shareholders of the Company amounted to approximately RMB8,142,519,000, representing a substantial increase of approximately 187.5% as compared with the corresponding period last year, mainly due to a significant increase in sales prices as compared with the corresponding period last year driven by the overall rise in demand for aluminum products in the domestic and overseas markets as a result of the gradually mitigated pandemic around the world and the strengthened global economic recovery expectation while the supply of domestic primary aluminum output remained stable.

Management Discussion and Analysis

FINANCIAL REVIEW

The following table shows the breakdown of the Group's revenue by products for the six months ended 30 June 2021 and for the corresponding period of 2020:

Products	For the six months ended 30 June			
	2021		2020	
	Revenue RMB'000	Proportion of sales revenue to total revenue %	Revenue RMB'000	Proportion of sales revenue to total revenue %
Aluminum alloy products	38,356,421	73.1	29,042,311	72.7
Alumina	7,920,530	15.1	6,391,488	16.0
Aluminum fabrication products	5,779,260	11.0	4,134,386	10.4
Steam	424,338	0.8	370,490	0.9
Total	52,480,549	100.0	39,938,675	100.0

For the six months ended 30 June 2021, the Group's revenue derived from aluminum alloy products was approximately RMB38,356,421,000, accounting for approximately 73.1% of the Group's revenue and representing an increase of approximately 32.1% from approximately RMB29,042,311,000 for the corresponding period last year, mainly attributable to the sales price of the Group's aluminum alloy products of approximately RMB15,364/ton (VAT exclusive) during the Period, representing an increase of approximately 33.2% from approximately RMB11,538/ton (VAT exclusive) for the corresponding period last year ; revenue derived from alumina products was approximately RMB7,920,530,000, accounting for approximately 15.1% of the Group's revenue and representing an increase of approximately 23.9% from approximately RMB6,391,488,000 for the corresponding period last year. The increase in the revenue derived from alumina products was mainly due to the increase in sales of alumina as a result of the Group's continuous expansion of domestic market by seizing market opportunities while the output of alumina satisfied its own needs. Revenue derived from aluminum fabrication products was approximately RMB5,779,260,000, accounting for approximately 11.0% of the Group's revenue and representing an increase of approximately 39.8% from approximately RMB4,134,386,000 for the corresponding period last year, mainly attributable to the rise in price and the increase in sales of aluminum fabrication products of the Group during the Period.

Management Discussion and Analysis

Distribution and selling expenses

For the six months ended 30 June 2021, the Group's distribution and selling expenses were approximately RMB260,384,000, representing an increase of approximately 70.7% from approximately RMB152,559,000 for the corresponding period last year, mainly due to the increase in sales of alumina products and aluminum fabrication products of the Group, resulting in the corresponding increase in transportation expenses.

Administrative expenses

For the six months ended 30 June 2021, the Group's administrative expenses were approximately RMB2,551,569,000, representing an increase of approximately 37.3% from approximately RMB1,858,407,000 for the corresponding period last year, mainly due to the increase in the maintenance expenses of certain production lines of the Group and the increase in the research and development expenses attributable to its strengthened efforts for technological research and development during the Period.

Finance costs

For the six months ended 30 June 2021, the Group's finance costs were approximately RMB1,889,582,000, representing a decrease of approximately 14.5% from approximately RMB2,210,955,000 for the corresponding period last year, mainly due to the repayment of part of the medium-term notes and bonds by the Group during the Period, resulting in the corresponding decrease in interest expenses.

Liquidity and financial resources

As at 30 June 2021, the Group's cash and cash equivalents were approximately RMB49,764,694,000, representing an increase of approximately 9.5% from approximately RMB45,465,361,000 as at 31 December 2020. The increase in cash and cash equivalents was mainly attributable to the net cash inflows from operating activities of the Group during the Period.

For the six months ended 30 June 2021, the Group's net cash inflows from operating activities were approximately RMB15,521,326,000, net cash outflows from investing activities were approximately RMB2,804,507,000, and net cash outflows from financing activities were approximately RMB8,410,354,000. The net cash outflows from investing activities were mainly attributable to the cash outflows from the acquisition of property, plant and equipment; the net cash outflows from financing activities were mainly attributable to the cash outflows from the repayment of part of the debts, the dividend payout, and the interest paid on debts by the Group during the Period.

For the six months ended 30 June 2021, the Group's capital expenditure amounted to approximately RMB3,135,726,000, mainly for the payment for the quality guarantee deposits of the pre-construction projects in accordance with relevant contracts, the construction expenditure of Yunnan green aluminum innovation industrial park project, lightweight material base and the Indonesia alumina project.

Management Discussion and Analysis

As at 30 June 2021, the Group had capital commitment of approximately RMB1,801,975,000, representing capital expenditure for the acquisition of 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 30 June 2021, the Group's trade receivables amounted to approximately RMB6,834,951,000, representing a decrease of approximately 33.9% from approximately RMB10,335,568,000 as at 31 December 2020, mainly due to the shortened credit terms granted by the Group to certain customers according to the market condition of aluminum during the Period.

As at 30 June 2021, the Group's inventory amounted to approximately RMB19,502,384,000, representing a slight decrease from approximately RMB19,717,811,000 as at 31 December 2020.

Income tax

The Group's income tax for the first half of 2021 amounted to approximately RMB2,852,955,000, representing an increase of approximately 379.0% from approximately RMB595,591,000 for the corresponding period last year, mainly due to the increase in the Group's profit before taxation and the corresponding increase in the income tax expense as a result of the fully utilisation of the losses of certain subsidiaries of the Group.

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

For the six months ended 30 June 2021, net profit attributable to shareholders of the Company amounted to approximately RMB8,142,519,000, representing an increase of approximately 187.5% from approximately RMB2,831,849,000 for the corresponding period last year.

During the Period, basic earnings per share of the Company were approximately RMB0.903 (the corresponding period of 2020: approximately RMB0.330).

Management Discussion and Analysis

Interim dividend and closure of register of members

On 20 August 2021, the Board resolved to declare an interim dividend of HK45.0 cents per share for the six months ended 30 June 2021, payable to the shareholders whose names appear on the register of members of the Company on 12 November 2021. For the purpose of determining the identity of the shareholders who are entitled to the interim dividend, the register of members of the Company will be closed from 8 November 2021 to 12 November 2021 (both days inclusive) during which period no transfer of shares will be effected. The interim dividend is expected to be paid on 26 November 2021.

In order to determine the identity of the shareholders who are entitled to the interim dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 5 November 2021.

Capital structure

The Group has established an appropriate liquidity risk management framework to secure its short, medium and long-term funding supply and to satisfy its liquidity requirements. As at 30 June 2021, the cash and cash equivalents of the Group amounted to approximately RMB49,764,694,000 (31 December 2020: approximately RMB45,465,361,000), which were mainly placed in commercial banks. Such level of cash and cash equivalents would facilitate in ensuring stable and flexible business operation of the Group. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources, so as to satisfy the business need and maintain a sound and steady financial position.

As at 30 June 2021, the total liabilities of the Group amounted to approximately RMB101,040,423,000 (31 December 2020: approximately RMB104,729,330,000). Gearing ratio (total liabilities to total assets) was approximately 53.7% (31 December 2020: approximately 57.7%), reflecting the fact that the gearing ratio of the Group 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 operation and project construction. As at 30 June 2021, the Group had secured bank borrowings of approximately RMB10,013,038,000 (31 December 2020: approximately RMB8,453,755,000).

As at 30 June 2021, the Group's total bank borrowings were approximately RMB37,574,977,000. The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 30 June 2021, approximately 35.8% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 64.2% were subject to floating interest rates.

Management Discussion and Analysis

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 30 June 2021, debts of the Group, other than bank borrowings, include medium-term notes and bonds of approximately RMB19,640,628,000, guaranteed notes of approximately RMB6,418,131,000 and convertible bonds of approximately RMB4,935,044,000, the interest rates of which ranged from 3.84% to 7.47% per annum. Such notes and bonds will facilitate the optimization of the Group's debt structure and reduce its finance costs.

As at 30 June 2021, the Group had net current assets of approximately RMB37,026,626,000. The Group will continue to diversify its financing channels and optimize its debt structure. In addition, the Group will sustain its existing production capacity advantages, control its production costs, improve its profitability and improve its cash flow position in order to maintain the adequate liquidity of the Group.

As at 30 June 2021, the Group's liabilities were mainly denominated in RMB and US Dollars, of which, approximately 73.5% were denominated in RMB and approximately 26.5% were denominated in US Dollars. The Group's cash and cash equivalents were mainly held in RMB and US Dollars, of which approximately 95.4% were held in RMB and approximately 4.5% were held in US Dollars.

Pledged assets

Details of pledged assets of the Group are set out in Note 32 to the unaudited interim condensed consolidated financial information.

Employee and remuneration policy

As at 30 June 2021, the Group had a total of 42,751 employees. During the Period, the total staff costs of the Group amounted to approximately RMB1,734,671,000, representing approximately 3.3% of its total revenue. The remuneration packages of the employees of the Group include salaries and various types of benefits. In addition, the Group established a performance-based remuneration system under which the employees may be awarded by additional bonuses. The Group provided training programs for employees to equip them with the requisite working skills and knowledge.

Foreign exchange exposure

The Group received most of its revenue in RMB and funded most of its capital expenditures in RMB. As the importation of bauxite and production equipment, and certain bank balances, bank borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is subject to certain foreign exchange exposure. As at 30 June 2021, the Group's bank balances denominated in foreign currencies were approximately RMB2,303,344,000 and liabilities denominated in foreign currencies were approximately RMB18,189,916,000. For the six months ended 30 June 2021, the Group's foreign exchange gains were approximately RMB39,050,000 (for the six months ended 30 June 2020: exchange losses of approximately RMB198,467,000).

Management Discussion and Analysis

Contingent liability

As at 30 June 2021, the Group has no significant contingent liability.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the six months ended 30 June 2021, the Company did not have other material acquisitions or disposals of subsidiaries, associates or joint ventures.

Significant investments held

For the six months ended 30 June 2021, the Group did not hold any significant investment which had a significant impact on its overall operation.

Future plans for material investments or capital assets

For the six months ended 30 June 2021 and as at the date of this interim report, there was no any future plan approved by the Group for any material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

On 18 August 2021, Shandong Hongqiao completed the issuance of 2021 domestic book-entry corporate bonds (tranche 2) bearing interest at 4.16% per annum, with an offering size of RMB1,000,000,000 for a term of 3 years (with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the first year and the end of the second year).

Save as disclosed above, as at the date of this interim report, there was no any important event affecting the Group that has occurred since 30 June 2021.

Management Discussion and Analysis

FUTURE PROSPECT

Looking forward to the second half of 2021, with the continued positive economic development in the PRC, the Group believes that China's aluminum industry will maintain its momentum for positive development with the support of its solid development foundation and steadily increasing demand for aluminum consumption. However, uncertainties in the global economic development prevail due to the pandemic resurgence, therefore, there will still be both challenges and opportunities for the aluminum industry ahead.

As always, being a leading enterprise in the industry, the Group will continue to actively respond to the strategic "Dual Carbon" goals of the PRC by proactively fulfilling the responsibility of reducing carbon emissions and firmly implementing effective initiatives for achieving the "Dual Carbon" goals. While effectively fulfilling its social responsibilities, the Group will further accelerate the constant enhancement of its basic corporate management standard and strive to make positive contributions to promoting the low-carbon transformation of the industry and facilitating the PRC to achieve the "Dual Carbon" goals to counter the effects of global climate change. In addition, the Group will also strive to properly manage its existing assets and improve its industrial and supply chains while accelerating its extension to the high-end of the industrial chain. As regards its debt structure, the Group will constantly optimise its financial structure to strive to maintain a sustainable and stable dividend distribution policy to reward the shareholders for their long-term support.

Supplementary Information

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

As at 30 June 2021, so far as known to the Directors and chief executive of the Company, the following persons (other than the Directors or 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of total shares held	Approximate percentage of total issued share capital as at 30 June 2021 (%)
Shiping Prosperity Private Trust Company ⁽¹⁾	Trustee	6,076,513,573 (L)	66.62
China Hongqiao Holdings Limited ("Hongqiao Holdings") ⁽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

(L) denotes long positions

Supplementary Information

Notes:

- (1) Shipping 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 Corporation 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 30 June 2021, so far as known to the Directors and chief executive of the Company, there was no any other person (other than the Directors or 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 the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

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

As at 30 June 2021, the interests or 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Capacity/Nature of interest	Number of total shares held	Approximate percentage of total issued share capital as at 30 June 2021 (%)
Mr. Zhang Bo	Beneficial owner	8,870,000 (L)	0.10

(L) denotes long positions

Supplementary Information

Save as disclosed above, as at 30 June 2021, there were no any other Directors or chief executive of the Company or any of their spouses 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 controlling companies, subsidiaries or other 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 pursuant to section 352 of the SFO in the register referred to therein; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2021 and up to the date of this interim 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 during the Period.

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") in compliance with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The Audit Committee meeting was held on 20 August 2021 to review the interim results and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021. The Audit Committee considered that the interim financial results of the Group for the six months ended 30 June 2021 were in compliance with the relevant accounting standards, rules and regulations and adequate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2021 and up to the date of this interim report.

Supplementary Information

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

On 28 November 2017, the Company successfully issued the convertible bonds of the Company in the initial principal amount of US\$320,000,000 to CNCB (Hong Kong) Investment Limited under the convertible bond specific mandate at the initial conversion price (subject to adjustment) of HK\$8.16. The net proceeds from the placing of the convertible bonds were approximately US\$316,800,000 and have been fully utilised by the Company for the purposes as described in the announcement of the Company dated 15 August 2017. For details, please refer to the announcement of the Company dated 15 August 2017, the circular dated 2 November 2017, the poll results announcement dated 20 November 2017 and the announcement dated 28 November 2017.

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. For details, please refer to the announcement of the Company dated 15 August 2017 and the next day disclosure return dated 25 January 2018.

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 was adjusted from HK\$8.16 per share to HK\$7.71 per share, effective from 7 February 2018. For details, please refer to the announcement of the Company dated 7 February 2018.

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 was adjusted from HK\$7.71 per share to HK\$7.53 per share, effective from 12 June 2018. For details, please refer to the announcement of the Company dated 13 July 2018.

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 was adjusted from HK\$7.53 per share to HK\$7.21 per share, effective from 17 June 2019. For details, please refer to the announcement of the Company dated 17 June 2019.

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 was adjusted from HK\$7.21 per share to HK\$6.51 per share, effective from 15 June 2020. For details, please refer to the announcement of the Company dated 15 June 2020.

Supplementary Information

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 was adjusted from HK\$6.51 per share to HK\$6.31 per share, effective from 16 November 2020. For details, please refer to the announcement of the Company dated 16 November 2020.

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

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 was adjusted from HK\$6.29 per share to HK\$6.04 per share, effective from 15 June 2021. For details, please refer to the announcement of the Company dated 11 June 2021.

COMPLETION OF THE ISSUANCE OF 5.25% CONVERTIBLE BONDS DUE 2026 WITH A PRINCIPAL AMOUNT OF US\$300,000,000 AND THE ADJUSTMENTS OF THE CONVERSION PRICE OF SUCH CONVERTIBLE BONDS

On 7 January 2021 (after trading hours), the Company and the subsidiary guarantors entered into the convertible bond subscription agreement with the joint lead managers, pursuant to which the Company has agreed to issue and the joint lead managers have agreed, severally but not jointly, on a best-efforts basis, to subscribe and pay for, or to procure the subscription and payment for the convertible bonds in the initial principal amount of US\$300,000,000 at the initial conversion price (subject to adjustment) of HK\$8.91 per share. The net proceeds from the placing of the convertible bonds were approximately US\$294,000,000 and have been fully utilised by the Company for the purposes as described in the announcement of the Company dated 8 January 2021. For details, please refer to the announcements of the Company dated 8 January 2021 and 27 January 2021.

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 was adjusted from HK\$8.91 per share to HK\$8.47 per share, effective from 15 June 2021. For details, please refer to the announcements of the Company dated 11 June 2021 and 15 June 2021.

Supplementary Information

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

In order to raise further capital as well as broaden the Company's shareholder and capital base, on 10 March 2021 (after trading hours), 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 placing and the subscription was completed on 15 March 2021 and 19 March 2021, respectively. For details, please refer to the announcements of the Company dated 10 March 2021 and 19 March 2021.

The net proceeds from the subscription were approximately HK\$2,324,000,000 and have been or will be used as follows:

30% for capital expenditure for Yunnan green aluminum innovation industrial park project. As at the date of this interim report, the Company has utilised approximately 30% of the net proceeds (approximately HK\$697,200,000) for the construction of Yunnan green aluminum innovation industrial park project.

30% for capital expenditure for the secondary aluminum project. To further expand the Group's business, the Company will use approximately 30% of the net proceeds (approximately HK\$697,200,000) for the development of the secondary aluminum project. As at the date of this interim report, approximately 56.1% of the net proceeds have been utilised by the Company, and the remaining 43.9% of the net proceeds are expected to be fully utilised by the end of 2021.

40% for general corporate purposes. As at the date of this interim report, the Company has utilised approximately 40% of the net proceeds (approximately HK\$929,600,000) to replenish the general working capital of the Group (including, among others, procurement of raw materials, research and development expenses and taxation).

Supplementary Information

INTRODUCTION OF THE STRATEGIC INVESTOR

On 30 April 2021, the Company, Hongqiao Investment (Hong Kong) Limited (宏橋投資(香港)有限公司) (“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 will be 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.

SENIOR NOTES

On 1 June 2021 (after trading hours), the Company and the subsidiary guarantors entered into the purchase agreement with the initial purchasers, pursuant to which the Company has agreed to issue and the initial purchasers have agreed to purchase and pay for the notes in an aggregate principal amount of US\$500,000,000. The net proceeds from this issuance of notes, after deducting the underwriting discounts and commission and other expenses payable in connection with this offering, amounted to approximately US\$493,900,000. Such notes are listed and quoted on the SGX-ST. The Company has fully utilised the net proceeds for the purposes as described in the announcement of the Company dated 1 June 2021. For details, please refer to the announcements of the Company dated 1 June 2021 and 10 June 2021.

CHANGES IN INFORMATION OF THE DIRECTORS AND CHIEF EXECUTIVE

Mr. Zhang Jinglei, a non-executive Director, was appointed as a director of Shandong Hongqiao on 27 January 2021.

On 20 August 2021, Ms. Wong Yuting was appointed as an executive Director.

Mr. Wen Xianjun, an independent non-executive Director, has ceased to be the independent director of China Zhongwang Holdings Limited since July 2021 and the independent director of Xingfa Aluminium Holdings Limited since August 2021.

Save as disclosed above, for the six months ended 30 June 2021 and as at the date of this interim report, there was no change in the Directors or chief executive of the Company, and the Company was not aware of any other changes in the information of the Directors or chief executive of the Company which were required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Supplementary Information

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the directors' securities transactions on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiry to all of the Directors, the Company confirmed that each of the Directors has complied with the standards as set out in the Model Code and the code of conduct of the Company regarding directors' securities transactions throughout the six months ended 30 June 2021 and up to the date of this interim report.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles as set out in the CG Code. For the six months ended 30 June 2021, the Company has complied with the code provisions as set out in the CG Code, except for the following deviation:

Mr. Zhang Bo, the chief executive officer of the Company, concurrently serves as the chairman of the Board. Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, taking into consideration the abundant management experience and industry expertise 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 business 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 other 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 six months ended 30 June 2021.

DISCLOSURE OF INFORMATION ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The electronic version of this interim report will be available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongqiaochina.com. The printed version of this interim report will be dispatched to the shareholders on or before 30 September 2021.

Report on Review of Interim Condensed Consolidated Financial Information



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

TO THE BOARD OF DIRECTORS OF CHINA HONGQIAO GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information of China Hongqiao Group Limited (the “Company”) and its subsidiaries set out on pages 26 to 72, which comprise the condensed consolidated statement of financial position as at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information are not prepared, in all material respects, in accordance with IAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong
20 August 2021

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	52,480,549	39,938,675
Cost of sales		(36,744,779)	(33,470,276)
Gross profit		15,735,770	6,468,399
Other income and gains	5	1,505,898	1,075,567
Selling and distribution expenses		(260,384)	(152,559)
Administrative expenses		(2,551,569)	(1,858,407)
Other expenses	6	(104,172)	(362,421)
Finance costs	8	(1,889,582)	(2,210,955)
Changes in fair value of financial instruments	21	(1,165,521)	86,166
Share of profits of associates		11,641	354,279
Share of loss of a joint venture		(5,409)	–
Profit before taxation		11,276,672	3,400,069
Income tax expense	7	(2,852,955)	(595,591)
Profit for the period	8	8,423,717	2,804,478
Profit (loss) for the period attributable to:			
Owners of the Company		8,142,519	2,831,849
Non-controlling interests		281,198	(27,371)
		8,423,717	2,804,478
Other comprehensive (expense) income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(38,580)	59,717
Share of other comprehensive (expense) income of associates		(11,330)	21,357
Other comprehensive (expense) income for the period		(49,910)	81,074
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(66,094)	(58,647)
Total comprehensive income for the period, net of income tax		8,307,713	2,826,905
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		8,041,452	2,830,989
Non-controlling interests		266,261	(4,084)
		8,307,713	2,826,905
Earnings per share	10		
– Basic (RMB)		0.903	0.330
– Diluted (RMB)		0.903	0.325

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

At 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	63,594,706	64,750,361
Right-of-use assets	12	5,620,468	5,646,551
Intangible assets		27,027	27,429
Investment properties		168,306	4,053
Deposits paid for acquisition of property, plant and equipment		784,718	571,608
Deferred tax assets		2,685,932	2,886,026
Interests in associates	13	6,821,145	6,681,222
Interest in a joint venture		104,591	–
Loan to an associate		2,000,000	–
Goodwill	14	278,224	278,224
Financial asset at amortised cost	27	–	2,499,000
Financial assets at fair value through other comprehensive income	15	717,558	633,652
Prepayments	19	1,583,610	119,260
		84,386,285	84,097,386
CURRENT ASSETS			
Inventories	16	19,502,384	19,717,811
Trade receivables	17	6,834,951	10,335,568
Bills receivables	18	12,613,054	9,157,692
Prepayments and other receivables	19	10,755,384	9,126,270
Loan to an associate		–	2,000,000
Financial asset at amortised costs	27	2,499,000	–
Income tax recoverable		82,800	88,814
Restricted bank deposits	20	1,631,519	1,542,098
Cash and cash equivalents	20	49,764,694	45,465,361
		103,683,786	97,433,614
CURRENT LIABILITIES			
Trade and bills payables	22	18,114,347	13,377,069
Other payables and accruals		10,193,045	12,105,674
Bank borrowings – due within one year	23	27,323,553	22,777,400
Other financial liabilities	28	3,647	4,942
Lease liabilities	12	27,339	25,080
Income tax payable		2,688,349	2,268,635
Medium-term debentures and bonds – due within one year	24	8,284,234	22,774,698
Deferred income		22,646	17,855
		66,657,160	73,351,353

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

At 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
NET CURRENT ASSETS		37,026,626	24,082,261
TOTAL ASSETS LESS CURRENT LIABILITIES		121,412,911	108,179,647
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	23	10,251,424	11,483,498
Lease liabilities	12	63,138	58,609
Liability component of convertible bonds	26	2,919,651	1,215,939
Derivatives component of convertible bonds	26	2,015,393	550,111
Deferred tax liabilities		785,312	900,344
Medium-term debentures and bonds – due after one year	24	11,356,394	13,345,378
Guaranteed notes	25	6,418,131	3,242,270
Deferred income		573,820	581,828
		34,383,263	31,377,977
NET ASSETS		87,029,648	76,801,670
CAPITAL AND RESERVES			
Share capital	29	595,139	579,318
Reserves	30	76,232,266	70,616,819
Equity attributable to owners of the Company		76,827,405	71,196,137
Non-controlling interests		10,202,243	5,605,533
TOTAL EQUITY		87,029,648	76,801,670

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 30)	Capital reserve RMB'000 (Note 30)	Translation reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021 (Audited)	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 period	-	-	-	-	-	-	8,142,519	8,142,519	281,198	8,423,717
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(66,094)	-	-	-	-	(66,094)	-	(66,094)
Exchange differences on translation of foreign operations	-	-	-	-	(23,643)	-	-	(23,643)	(14,937)	(38,580)
Share of other comprehensive expense of associates	-	-	-	-	(11,330)	-	-	(11,330)	-	(11,330)
Total comprehensive (expense) income for the period	-	-	(66,094)	-	(34,973)	-	8,142,519	8,041,452	266,261	8,307,713
Issue of shares upon share subscription	15,821	1,924,289	-	-	-	-	-	1,940,110	-	1,940,110
Capital contribution	-	-	-	-	-	-	-	-	15,500	15,500
Share of capital reserve of an associate	-	-	-	149	-	-	-	149	-	149
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	(624)	(624)
Transfer to non-controlling interests	-	-	-	(8)	-	-	-	(8)	8	-
Change in ownership in interest in subsidiaries (note 34)	-	-	-	(541,130)	-	-	-	(541,130)	4,343,630	3,802,500
Dividend paid (note 9)	-	-	-	-	-	-	(3,809,305)	(3,809,305)	(28,065)	(3,837,370)
	15,821	1,924,289	-	(540,989)	-	-	(3,809,305)	(2,410,184)	4,330,449	1,920,265
At 30 June 2021 (Unaudited)	595,139	22,833,367	(810,158)	248,628	(25,525)	9,641,780	44,344,174	76,827,405	10,202,243	87,029,648

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 30)	Capital reserve RMB'000 (Note 30)	Translation reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020 (Audited)	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 for the period	-	-	-	-	-	-	2,831,849	2,831,849	(27,371)	2,804,478
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(58,647)	-	-	-	-	(58,647)	-	(58,647)
Exchange differences on translation of foreign operations	-	-	-	-	36,430	-	-	36,430	23,287	59,717
Share of other comprehensive income of associates	-	-	-	-	21,357	-	-	21,357	-	21,357
Total comprehensive (expense) income for the period	-	-	(58,647)	-	57,787	-	2,831,849	2,830,989	(4,084)	2,826,905
Capital contribution	-	-	-	70	-	-	-	70	306,030	306,100
Share of capital reserve of an associate	-	-	-	75	-	-	-	75	-	75
Dividend paid (note 9)	-	-	-	-	-	-	(2,665,809)	(2,665,809)	(7,155)	(2,672,964)
	-	-	-	145	-	-	(2,665,809)	(2,665,664)	298,875	(2,366,789)
At 30 June 2020 (Unaudited)	559,090	19,311,652	(745,414)	789,462	330,812	8,214,211	34,869,630	63,329,443	3,146,649	66,476,092

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2021

For the six months ended 30 June

	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	17,863,491	5,437,090
Income tax paid	(2,342,165)	(1,101,694)
NET CASH GENERATED FROM OPERATING ACTIVITIES	15,521,326	4,335,396
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	(3,135,726)	(2,658,084)
Proceeds from disposal of property, plant and equipment	2,123,023	705,914
Proceeds from disposal of right-of-use assets	–	42,021
Proceeds from disposal of an associate	104,562	–
Addition and prepayment for acquisition of intangible assets	(1,501,912)	(1,008)
Addition to right-of-use assets	(157,082)	(216,069)
Purchases of financial asset at fair value through other comprehensive income	(150,000)	–
Redemption of investment trust	–	2,005
Capital injection to associates	(250,060)	(185,642)
Capital injection to a joint venture	(110,000)	–
Interest received	362,733	269,125
Placement of restricted bank deposits	(619,191)	(1,315,257)
Repayment on prior year acquisition of a subsidiary	–	(55,500)
Net cash outflow on deregistration of a subsidiary	(624)	–
Withdrawal of restricted bank deposits	529,770	1,236,829
NET CASH USED IN INVESTING ACTIVITIES	(2,804,507)	(2,175,666)

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Dividends paid	(3,837,380)	(2,672,964)
Payment of lease liabilities	(22,125)	(14,454)
Proceeds from placing of shares	1,971,811	–
Proceeds from issuance of medium-term debentures and bonds	1,000,000	–
Proceeds from issuance of guaranteed notes	3,230,050	–
Proceeds from issuance of convertible bonds	1,932,616	–
Proceeds on disposal of partial interest in subsidiaries without losing control	3,802,500	–
Repayment of medium-term debentures	(17,478,064)	–
Transaction costs on placing of shares	(31,701)	–
Transaction costs on issuance of medium-term debentures and bonds	(4,500)	–
Transaction costs on issuance of guaranteed notes	(27,203)	–
Transaction costs on issuance of convertible bonds	(28,525)	–
New bank borrowings	9,241,703	15,188,560
Repayment of bank borrowings	(5,896,803)	(13,212,325)
Interest expenses paid	(2,283,944)	(2,640,626)
Receipt of government grants	5,711	104,155
Contribution from non-controlling interests	15,500	300,000
NET CASH USED IN FINANCING ACTIVITIES	(8,410,354)	(2,947,654)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,306,465	(787,924)
Effect of changes in foreign exchange rates	(7,132)	10,284
CASH AND CASH EQUIVALENTS AT 1 JANUARY	45,465,361	41,857,116
CASH AND CASH EQUIVALENTS AT 30 JUNE		
represented by bank balances and cash	49,764,694	41,079,476

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

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

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the “Group”) are principally engaged in the business of manufacture and sales of aluminum products.

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”). This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020 except as disclosed below.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2021.

Amendment to IFRS 16	COVID-19 Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

4. REVENUE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	35,945,132	26,578,661
– aluminum alloy ingot	2,411,289	2,463,650
– aluminum fabrication	5,779,260	4,134,386
– alumina products	7,920,530	6,391,488
Steam supply income	424,338	370,490
	52,480,549	39,938,675

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

4. REVENUE (CONTINUED)

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Geographical region</i>		
The PRC	50,698,716	38,206,612
India	378,113	389,859
Europe	509,335	349,999
Malaysia	104,568	95,634
Southeast Asia	365,039	434,451
North America	290,063	296,234
Others	134,715	165,886
Total	52,480,549	39,938,675
<i>Type of customers</i>		
Government related	179	281
Non-government related	52,480,370	39,938,394
Total	52,480,549	39,938,675
<i>Sales channels</i>		
Direct sales	52,480,549	39,938,675

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Amortisation of deferred income	8,928	43,465
Bank interest income	60,719	55,582
Investment income	90,746	33,484
Interest income from an associate	56,918	75,708
Other interest income	143,130	115,628
Rental income for investment properties under operating lease that lease payment are fixed	3,453	–
Gain from sales of raw materials and scraps materials	470,808	290,227
Gain from sales of slag of carbon anode blocks	494,768	268,446
Gain on disposal of property, plant and equipment	76,558	31,012
Gain on termination of lease	980	–
Other tax refunded	–	63,849
Reversal of impairment of trade receivables	467	–
Reversal of write-down of inventories	35,352	75,098
Foreign exchange gains, net	39,050	–
Others	24,021	23,068
	1,505,898	1,075,567

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

6. OTHER EXPENSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of trade receivables	–	16,532
Impairment loss recognised in respect of other receivables	2,940	11,735
Impairment loss recognised in respect of property, plant and equipment	88,913	152,520
Impairment loss recognised in respect of goodwill	–	99,243
Write-down of inventories to net realisable value	12,319	82,391
	104,172	362,421

7. INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rates that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	–	–
– Indonesia Corporate Tax	28,638	13,357
– PRC Enterprise Income Tax	2,739,255	749,155
	2,767,893	762,512
Deferred taxation	85,062	(166,921)
Total income tax expense for the period	2,852,955	595,591

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest expenses on bank borrowings	937,215	824,922
Interest expenses on other borrowing	–	47,997
Interest expenses on medium-term debentures and bonds	610,709	1,088,809
Interest expenses on guaranteed notes	150,440	131,410
Interest expenses on convertible bonds	189,513	116,164
Interest expenses on lease liabilities	1,705	1,653
Total finance costs	1,889,582	2,210,955
Amortisation of intangible assets	2,314	3,114
Cost of inventories recognised as an expense	36,128,412	33,116,925
Depreciation of property, plant and equipment	3,258,791	3,468,584
Depreciation of investment properties	2,155	–
Depreciation of right-of-use assets	82,012	72,046
Foreign exchange loss, net	–	198,467
Research and development expenses (note)	800,752	375,147
Gross rental income from investment properties	3,453	–
Less: direct operating expenses incurred for investment properties that generated rental income during the period	–	–
	3,453	–

Note: Included in research and development expenses was staff cost of approximately RMB79,394,000 (six months ended 30 June 2020: RMB63,026,000).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

9. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period	3,809,305	2,665,809

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK45.0 cents per share, amounting to approximately HK\$4,104,609,000 will be paid. The amount of interim dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information, has not been recognised as a liability in the interim condensed consolidated financial information.

During the current interim period, a final dividend of HK50.0 cents per share in respect of the year ended 31 December 2020 has been approved and paid.

During the six months ended 30 June 2020, a final dividend of HK34.0 cents per share in respect of the year ended 31 December 2019 had been approved and paid.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	8,142,519	2,831,849
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	–	116,164
Changes in fair values of derivatives component of convertible bonds	–	(94,262)
Exchange loss on translation of liability component of convertible bonds	–	22,214
Earnings for the purpose of diluted earnings per share	8,142,519	2,875,965

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

10. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,019,319	8,570,852
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	269,669
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,019,319	8,840,521

The computation of diluted earnings per share for the six months ended 30 June 2021 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group purchased property, plant and equipment of approximately RMB2,408,479,000, excluding transferred from construction in progress of approximately RMB676,441,000, and disposed plant, machinery and motor vehicles with carrying amount of approximately RMB156,592,000 (six months ended 30 June 2020: purchased approximately RMB1,865,586,000, excluding transferred from construction in progress of approximately RMB536,092,000, and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB2,962,647,000).

During the six months ended 30 June 2021, the Group spent approximately RMB2,378,478,000 (six months ended 30 June 2020: RMB1,703,290,000) on the construction of its new product lines and power plant.

The depreciation of the Group for the six months ended 30 June 2021 is approximately RMB3,258,791,000 (six months ended 30 June 2020: RMB3,468,584,000).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the six months ended 30 June 2021, due to the relocation of certain plant and equipment, the directors of the Company have 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. Accordingly, impairment loss of approximately RMB88,913,000 have been recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their fair value less costs of disposal.

During the six months ended 30 June 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. Accordingly, impairment loss of approximately RMB152,520,000 was recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their fair value less costs of disposal.

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each cash generating units ("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 determined based on fair values less costs of disposal or value-in-use. Market comparable approach is used to measure fair value less costs of disposal. The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuations carried out on 30 June 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 properties in the relevant locations.

At 30 June 2021, certain of the Group's buildings with a net carrying amount of approximately RMB12,106,359,000 (31 December 2020: RMB12,203,099,000) were pledged to secure bank borrowings of the Group (note 32).

There are properties with a carrying amount of approximately RMB4,572,480,000 (31 December 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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 June 2021, right-of-use assets of approximately RMB5,526,744,000 (31 December 2020: RMB5,563,164,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. During the six months ended 30 June 2021, the Group purchased land use right of approximately RMB192,732,000 located in the PRC and transferred land use right with carrying amount of approximately RMB166,408,000 to investment properties.

As at 30 June 2021, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB240,984,000 (31 December 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.

The Group has lease arrangements for office premises and factories and crew boats, vessels and crane barges of approximately RMB89,940,000 and RMB3,784,000 (31 December 2020: RMB75,475,000 and RMB7,912,000), respectively. The lease terms are generally ranged from 2 to 20 years.

The depreciation of the Group for the six months ended 30 June 2021 is approximately RMB82,012,000 (six months ended 30 June 2020: RMB72,046,000).

During the six months ended 30 June 2021, the Group terminated the lease of one of the office premises and derecognised right-of-use assets and lease liabilities of approximately RMB19,485,000 and RMB20,465,000 respectively, resulting in a gain of termination of leases of approximately RMB980,000 being recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period.

During the six months ended 30 June 2021, the Group entered into a number of new lease agreements for office premises and factory and recognised right-of-use assets of approximately RMB49,627,000 (31 December 2020: land use right and certain office premises of approximately RMB735,440,000 and RMB25,980,000).

At 30 June 2021, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB580,182,000 (31 December 2020: RMB293,636,000) were pledged to secure bank borrowings of the Group (note 32).

(ii) Lease liabilities

As at 30 June 2021, the carrying amount of lease liabilities was approximately RMB90,477,000 (31 December 2020: RMB83,689,000).

During the six months ended 30 June 2021, the Group entered into a number of new lease agreements for office premises and factory and recognised lease liabilities of approximately RMB49,627,000 (31 December 2020: a new lease agreement in respect of factory of approximately RMB25,980,000).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(iii) Amount recognised in profit or loss

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	82,012	72,046
Interest expense on lease liabilities	1,705	1,653

(iv) Other

During the six months ended 30 June 2021, the total cash outflow for leases amounted to approximately RMB23,830,000 (six months ended 30 June 2020: RMB16,107,000).

13. INTEREST IN ASSOCIATES

	As at	As at
	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Costs of investments in associates	4,180,762	4,036,695
Share of profits and other comprehensive income, net of dividends received	1,929,772	1,926,788
	6,110,534	5,963,483
Loan to an associate	710,611	717,739
	6,821,145	6,681,222

The loan to an associate of US\$110,000,000, equivalent to approximately RMB710,611,000 (31 December 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 35.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

14. GOODWILL

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Cost		
At beginning and at the end of the financial period/year	1,934,457	1,934,457
Impairment		
At beginning and end of the financial period/year	1,656,233	1,325,639
Impairment loss recognised during the period/year	–	330,594
At the end of the financial period/year	1,656,233	1,656,233
Carrying amount		
At the end of the financial period/year	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 2020, the Group recognised an impairment loss of approximately RMB330,594,000 in relation to goodwill arising on acquisition of Shandong Hongchuang Aluminum Industry Holding Company Limited (“Hongchuang”) and Binzhou Municipal Beihai Xinhe New Material Co., Ltd.* (“Beihai Xinhe”) resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang and decrease in value-in-use of Beihai Xinhe. No impairment loss has been recognised during the six months ended 30 June 2021.

* The English name of the above companies are for reference only.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI comprise:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Equity instrument as at FVTOCI		
– Listed	567,558	633,652
– Unlisted	150,000	–
	717,558	633,652

The fair value of these investments is disclosed in note 31.

Investments in listed equity instruments represent the Group's investment in Bank of Jinzhou and Weihai City Commercial Bank Co., Ltd, companies listed in Hong Kong, of approximately RMB202,418,000 (31 December 2020: RMB250,596,000) and RMB365,140,000 (31 December 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 instrument represents the Group's investment in unlisted equity security issued by private entity established in the PRC of approximately RMB150,000,000 (31 December 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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

16. INVENTORIES

At 30 June 2021, the carrying amounts of the Group's inventories were net of provision of impairment of approximately RMB104,799,000 (31 December 2020: RMB127,832,000).

During the period, the allowance for inventories of approximately RMB12,319,000 (six months ended 30 June 2020: RMB82,391,000) has been recognised and included in other expenses.

During the period, inventories previously impaired were sold at profit or used. As a result, a reversal of provision of approximately RMB35,352,000 (six months ended 30 June 2020: RMB75,098,000) has been recognised and included in other income and gains in the current period.

17. TRADE RECEIVABLES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	6,841,670	10,342,754
Less: allowance for impairment loss	(6,719)	(7,186)
	6,834,951	10,335,568

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	5,505,604	8,691,846
3 to 12 months	1,328,036	1,642,343
12 to 24 months	1,311	1,379
	6,834,951	10,335,568

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

18. BILLS RECEIVABLES

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

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	6,142,627	5,824,650
3 to 6 months	5,610,017	3,031,787
Over 6 months	860,410	301,255
	12,613,054	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 condensed consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the condensed consolidated statement of financial position.

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	12,293,771	8,962,654
Carrying amount of trade payables	(12,256,421)	(8,929,069)
Carrying amount of other payables	(37,350)	(33,585)
Net position	-	-

Note:

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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

19. PREPAYMENTS AND OTHER RECEIVABLES

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Prepayments to suppliers	1,926,175	1,401,177
Prepayment to an associate	5,950,149	3,617,585
Prepayment for acquisition of intangible asset	1,500,000	–
Other receivables	3,023,607	4,284,765
	12,399,931	9,303,527
Less: allowance for impairment loss	(60,937)	(57,997)
	12,338,994	9,245,530
Analysed as		
Current	10,755,384	9,126,270
Non-current	1,583,610	119,260
	12,338,994	9,245,530

20. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Cash and bank balances	49,764,694	45,465,361
Restricted bank deposits	1,631,519	1,542,098
	51,396,213	47,007,459
Less:		
Restricted bank deposits:		
– pledged for bills payables	(1,058,584)	(1,027,301)
– pledged for issuance of letter of credit	(173,062)	(200,581)
– pledged for guarantee issued	(399,873)	(314,216)
Cash and cash equivalents	49,764,694	45,465,361

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

21. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Changes in fair values arising from:		
– capped forward contract	(594)	923
– interest rate swaps contracts	1,889	(9,019)
– derivatives component of convertible bonds (note 26)	(1,166,816)	94,262
	(1,165,521)	86,166

22. TRADE AND BILLS PAYABLES

	As at	As at
	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	15,924,289	11,290,894
Bills payables	2,190,058	2,086,175
	18,114,347	13,377,069

Included in trade payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	As at	As at
	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	15,438,424	10,773,004
6 to 12 months	381,965	53,043
1 to 2 years	82,420	430,815
More than 2 years	21,480	34,032
	15,924,289	11,290,894

The average credit period on purchases of goods is six months. Bills payables were bills of acceptance with maturity of less than one year.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

23. BANK BORROWINGS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Current		
Secured bank borrowings	9,041,169	2,993,512
Unsecured bank borrowings	18,282,384	19,783,888
	27,323,553	22,777,400
Non-current		
Secured bank borrowings	971,869	5,460,243
Unsecured bank borrowings	9,279,555	6,023,255
	10,251,424	11,483,498
	37,574,977	34,260,898

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within one year	27,323,553	22,777,400
In the second year	5,337,319	5,908,546
In the third to fifth years, inclusive	3,913,837	4,518,748
Over fifth years	1,000,268	1,056,204
	37,574,977	34,260,898

Fixed-rate borrowings with an aggregate carrying amount of approximately RMB13,433,791,000 (31 December 2020: RMB7,478,070,000) denominated in RMB at interest rate ranged from 1.23% to 8.50% (31 December 2020: 2.45% to 8.00%) per annum as at 30 June 2021.

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 London Interbank Offered Rate ("LIBOR").

Bank borrowings of approximately RMB980,000,000 (31 December 2020: RMB1,299,000,000) which are guaranteed by a related party was set out in note 35(c).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

24. MEDIUM-TERM DEBENTURES AND BONDS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Medium-term debentures and bonds-due within one year	8,284,234	22,774,698
Medium-term debentures and bonds-due after one year	11,356,394	13,345,378
	19,640,628	36,120,076

The details of the medium-term debentures and bonds issued and outstanding as at 30 June 2021 and 31 December 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	1,000,000	3.87%	4.21%	25 October 2021
Medium-term debentures D	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.55%	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	810,000 (31 December 2020: 1,000,000)	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	400,000 (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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

24. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

Debentures	Date of issue	Principal amount RMB'000	Nominal interest Rate	Effective interest Rate	Date of maturity
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	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	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%	4.90%	11 June 2023
Enterprise bonds N	11 June 2021	500,000	5.60%	5.60%	11 June 2024
Private placement enterprise bond B	15 July 2016	26,000	6.80%	4.73%	15 July 2021

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

24. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

The total medium-term debentures and bonds are repayable as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	8,284,234	22,774,698
In the second to fifth year	11,356,394	13,345,378
	19,640,628	36,120,076

25. GUARANTEED NOTES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current liabilities	6,418,131	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 are guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will mature on 22 July 2022.

On 27 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US\$200,000,000 (equivalent to approximately RMB1,414,580,000) (the "2023 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will mature on 2 May 2023.

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,230,050,000) (the "2024 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will mature on 31 May 2024.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

26. 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 2019 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds (“2021 CBs”) bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US\$300,000,000. The 2021 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK\$8.91 per share with fixed exchange rate of HK\$7.7530 equal to US\$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

26. 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 (Audited)	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 (Audited)	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	–	662,313	–	504,503	1,166,816
Effective interest expenses	121,406	–	68,107	–	189,513
Interest paid	(40,146)	–	(47,068)	–	(87,214)
Exchange translation	(9,123)	(4,091)	8,332	670	(4,212)
As at 30 June 2021 (Unaudited)	1,288,076	1,208,333	1,631,575	807,060	4,935,044

No redemption, purchase or cancellation by the Company has been made in respect of the 2017 CBs and 2021 CBs during the six months ended 30 June 2021 and 2020.

On 15 June 2020, as a result of the Company's declaration of dividend, the conversion price of the 2017 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 2017 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 2017 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 2017 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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

26. CONVERTIBLE BONDS (CONTINUED)

As at 30 June 2021, the principal amount of the 2017 CBs that remained outstanding amounted to US\$246,400,000 (31 December 2020: US\$246,400,000) of which a maximum of 319,063,523 (31 December 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 (31 December 2020: nil) of which a maximum of 274,604,486 (31 December 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 2017 CBs and 2021 CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018, 13 July 2018, 17 June 2019, 15 June 2020, 16 November 2020, 1 December 2020, 11 June 2021 and 15 June 2021.

At issuance date of 2021 CBs and 30 June 2021, the fair values of the derivatives component were valued by Asia-Pacific Consulting and Appraisal Limited (31 December 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 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 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)	At 30 June 2021 (Unaudited)	At issuance date (Unaudited)
Share price	HK\$10.52	HK\$7.10	HK\$10.52	HK\$7.32
Conversion price	HK\$6.04	HK\$6.29	HK\$8.47	HK\$8.91
Expected volatility	40.00%	40.49%	49.25%	45.08%
Expected life	1.41 years	1.91 years	4.58 years	5.00 years
Risk free rate	0.12%	0.12%	0.78%	0.42%
Expected dividend yield	4.16%	2.09%	4.16%	2.61%

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

27. FINANCIAL ASSET AT AMORTISED COST

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Financial asset at amortised cost		
Collective investment trust (note)		
– Non-current portion	–	2,499,000
– Current portion	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. 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.

28. OTHER FINANCIAL LIABILITIES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Other financial liabilities		
Capped forward contract	2,442	1,848
Interest rate swaps contracts	1,205	3,094
	3,647	4,942

Major terms of the capped forward contract are as follows:

As at 30 June 2021 and 31 December 2020

Notional amount	Maturity	Exchange rate
US\$10,000,000	20 July 2022	Buy US\$ / Sell RMB at 6.90 to 7.01

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

28. OTHER FINANCIAL LIABILITIES (CONTINUED)

Major terms of the interest rate swaps are as follows:

As at 30 June 2021

Notional amount	Maturity	Swaps
US\$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US\$-LIBOR

As at 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

29. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2021	31 December 2020	30 June 2021 US\$	31 December 2020 US\$
Authorised:				
Ordinary shares of US\$0.01 each	10,000,000,000	10,000,000,000	100,000,000	100,000,000
	30 June 2021	31 December 2020	30 June 2021 US\$	31 December 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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

29. ISSUED CAPITAL (CONTINUED)

	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 30 June 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 expense 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 expense of approximately RMB31,701,000.

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

30. RESERVES

(a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao New Material Co., Ltd (“Shandong Hongqiao”) in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong Weiqiao Chuangye Group Company Limited (“Weiqiao Chuangye”) 山東魏橋創業集團有限公司 in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; (v) share of capital reserve of an associate 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 People’s Republic of China (“PRC”), those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year’s losses, expand the existing operations or convert into additional capital of the subsidiaries.

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Investment revaluation reserve

Investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

* The English names of the above companies are for reference only.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

31. FAIR VALUE DISCLOSURES

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2021 and 31 December 2020. The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2021 RMB'000 (Unaudited)	31/12/2020 RMB'000 (Audited)	
Financial asset at FVTOCI-listed equity instrument	Level 1	567,558	633,652	Quoted bid prices in an active market
Financial asset at FVTOCI-unlisted equity instrument	Level 3	150,000		– 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	2,442	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)

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

31. FAIR VALUE DISCLOSURES (CONTINUED)

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2021 RMB'000 (Unaudited)	31/12/2020 RMB'000 (Audited)	
Interest rate swaps contracts	Level 2	1,205	3,094	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of convertible bonds	Level 3	121,303	40,496	Binomial option pricing model: Key inputs: risk free rate ranged from 0.12% to 0.78% (31 December 2020: 0.12%), and effective interest rate ranged from 6.14% to 7.39% (31 December 2020: 6.31%) and volatility ranged from 40.00% to 49.25% (31 December 2020: 40.49%)
Conversion option derivative of convertible bonds	Level 3	1,894,090	509,615	Binomial option pricing model: Key inputs: risk free rate ranged from 0.12% to 0.78% (31 December 2020: 0.12%), and effective interest rate ranged from 6.14% to 7.39% (31 December 2020: 6.31%) and volatility ranged from 40.00% to 49.25% (31 December 2020: 40.49%)

Fair value measurements and valuation process

There were no transfer between levels of fair value hierarchy in the current and prior periods.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The chief financial officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair values of the assets and liabilities.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

32. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Restricted bank deposits (note 20)	1,631,519	1,542,098
Property, plant and equipment (note 11)	12,106,359	12,203,099
Right-of-use assets (note 12)	580,182	293,636

33. COMMITMENTS

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	1,801,975	2,205,218

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

34. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the six months ended 30 June 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 six months ended 30 June 2021, upon additional capital contribution of RMB3,800,000,000 being made by certain independent investors to Shandong Hongqiao, the Group's equity interest in Shandong Hongqiao was diluted from 100% to 94.52%. The transaction was accounted for as partial disposal of a subsidiary without loss of control. This resulted in an increase in non-controlling interests of approximately RMB4,341,130,000 and a decrease in equity attributable to owners of the parent of approximately RMB541,130,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follows:

	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 six months ended 30 June 2021, the Group disposed of 5% interest out of 100% interest in Shandong Honghe Lightweight Technology Co., Ltd* ("Honghe Lightweight") 山東宏和輕量化科技有限公司 at a consideration of RMB2,500,000. This resulted in an increase in non-controlling interests of approximately RMB2,500,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follows:

	RMB'000
Carrying amount of the interest disposed of	(2,500)
Consideration received from non-controlling interests	2,500
Difference recognised in capital reserve within equity	-

* The English translation is for reference only

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

35. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the interim condensed consolidated financial information, the Group has the following related parties transactions.

- (a) During the six months ended 30 June 2021, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye (note i)	note iii
Binzhou Weiqiao Technology Industrial Park Company Limited (“Binzhou Industrial Park”) 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited (“Ming Hong Textile”) 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2021, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

Name of party	Relationship
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 subsidiary of the Company
Africa Bauxite Mining Company Ltd. (“ABM”)	An associate of a wholly-owned subsidiary of the Company
GTS Global Trading PTE Ltd. (“GTS”)	An associate of a wholly-owned subsidiary of the Company
Wining Alliance Ports SA (“WAP”)	An associate of a wholly-owned subsidiary of the Company
Societe Miniere de Boke S.A (“SMB”)	An associate of a subsidiary of the Company
Zouping Binneng Energy Technology Co., Ltd. (“Binneng Energy”) (note i)	An associate of a subsidiary of the Company
Shandong Weiqiao Haiyi Environmental Technology Co., Ltd. (“Weiqiao Haiyi Environmental”) 山東魏橋海逸環保科技有限公司 (note i)	An associate of a subsidiary of the Company

Notes:

- i. The English names of the above companies are for reference only.
- ii. CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 (31 December 2020: 877,184,826) shares of the Company, representing 9.62% (31 December 2020: 9.88%) of the total issued shares of the Company, are 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 is below 10% and no longer be the related party of the Group since the year ended 31 December 2020.
- iii. Mr. Zhang Bo, the director of the Company, has a significant non-controlling beneficial interest in Weiqiao Chuangye, and is also the director of Weiqiao Chuangye.
- iv. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2021, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties:

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Purchases of water			
– Jinsha Water Supply	(b)	(11,583)	(11,780)
– Weiqiao Chuangye	(b)	(18,574)	(18,561)
Industrial waste expenses			
– Beihai Solid Waste	(b)	(83,239)	(51,371)
Purchases of bauxite			
– GTS	(g)	(3,793,457)	(4,439,334)
– PT. Cita Mineral Investindo, Tbk.	(b)	(103,063)	(120,684)
Purchase of electricity			
– Binneng Energy	(g)	(4,838,439)	(4,606,942)
Purchase of anode carbon block			
– Innovation Carbon New Material	(g)	(570,555)	(245,037)
Purchase of right-of-use assets			
– Weiqiao Chuangye	(a)	(151,261)	–
Sales of steam			
– Binzhou Industrial Park	(a)	6,321	5,212
– Ming Hong Textile	(a)	1,531	1,771
– Binzhou Investment	(a)	19,052	15,179
Legal and professional fee			
– Shandong Ruixin	(a)	–	(2,387)

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2021, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties: (Continued)

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of scraps material			
– Beihai Solid Waste	(a)	351	–
– Beihai Weiqiao Railway	(a)	2	–
– Zhanhua Weiqiao Port Logistic	(a)	293	–
– Wudi Weiqiao Port Logistics	(a)	76	–
– Weiqiao Haiyi Environmental	(a)	6	–
Lease payment			
– Weiqiao Chuangye	(a), (c), (e), (f)	(3,989)	(1,307)
– Harita Jayaraya	(b)	–	(717)
– PT. Antar Sarana Rekasa	(b), (d)	(4,062)	(4,435)
Bank interest income			
– China CITIC Bank	(a)	–	212
Interest income from an associate			
– Binneng Energy	(g)	56,918	75,708
Interest expenses on bank borrowings			
– CITIC Bank	(a)	–	(19,544)
– China CITIC Bank	(a)	–	(168,236)
Purchases of collective investment trust			
– CITIC Trust	(b)	–	(1,000,000)
Investment income			
– CITIC Trust	(b)	–	33,484

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) **During the six months ended 30 June 2021, the directors of the Company are of the view that the following are related parties of the Group: (Continued)**

During the reporting period, the Group entered into the following transactions with related parties: (Continued)

Notes:

- (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 14.76 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 30 June 2021, the carrying amount of such lease liabilities is approximately RMB42,368,000 (31 December 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 30 June 2021, the carrying amount of such lease liabilities is approximately RMB3,271,000 (31 December 2020: RMB7,654,000).
- (e) 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 30 June 2021, the carrying amount of such lease liabilities is nil (31 December 2020: RMB22,550,000).
- (f) For the six months 30 June 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 30 June 2021, the carrying amount of such lease liabilities is approximately RMB1,215,000 (31 December 2020: nil).
- (g) The related party transactions in respect of (g) above do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2021, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

The following balances were outstanding at the end of the reporting period:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Loans to associates		
– ABM	710,611	717,739
– Binneng Energy	2,000,000	2,000,000
Trade payables		
– GTS	(717,596)	(84,839)
– Innovation Carbon New Material	(426,171)	(166,424)
– Jinsha Water Supply	(1,967)	(2,599)
– Weiqiao Chuangye	(23,170)	(8,974)
– PT. Cita Mineral Investindo, Tbk.	(19,261)	(30,181)
Trade receivables		
– Ming Hong Textile	47	119
Prepayment		
– Binneng Energy	5,950,149	3,617,585

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel

Key management personnel including directors and senior staff management of the Company.

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefit	1,992	2,069
Retirement benefits scheme contributions	33	11
	2,025	2,080

(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:

	As at	As at
	30 June 2021	31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Weiqiao Chuangye	980,000	1,299,000

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2021

36. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2021, the Group transferred right-of-use assets of approximately RMB166,408,000 to investment properties.

During the six months ended 30 June 2021, the Group recognised capital reserve of RMB149,000 in an associate.

During the six months ended 30 June 2021, the Group entered into new arrangement in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB49,627,000 were recognised at the commencement of the lease.

During the six months ended 30 June 2020, the Group incorporated an indirect non-wholly owned subsidiary, Hongao Automobile Lightweight, with an independent third party. The non-controlling interest made a non-cash consideration of approximately RMB6,100,000 which represented intangible assets and the Group recognised capital reserve of RMB70,000 and non-controlling interests of RMB6,030,000.

During the six months ended 30 June 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.

37. EVENT AFTER REPORTING PERIOD

In August 2021, Shandong Hongqiao, an indirect subsidiary of the Company, issued a medium-term bonds bearing interest at 4.16% per annum, which will be due in 2024, with an aggregate principal amount of RMB1,000,000,000.