



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



2023
INTERIM REPORT

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Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wen Xianjun
Mr. Han Benwen
Mr. Dong Xinyi
Ms. Fu Yulin

CHIEF FINANCIAL OFFICER

Ms. Zhang Ruilian

COMPANY SECRETARY

Ms. Zhang Yuexia

AUDIT COMMITTEE

Mr. Han Benwen (*Chairman of Audit Committee*)
Mr. Wen Xianjun
Mr. Dong Xinyi

NOMINATION COMMITTEE

Mr. Zhang Bo (*Chairman of Nomination Committee*)
Mr. Han Benwen
Ms. Fu Yulin

REMUNERATION COMMITTEE

Mr. Han Benwen (*Chairman of Remuneration Committee*)
Mr. Zhang Bo
Mr. Wen Xianjun

AUTHORISED REPRESENTATIVES

Mr. Zhang Bo
Ms. Zhang Yuexia

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the PRC

CAYMAN ISLANDS REGISTERED OFFICE

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Grand Cayman, KY1-1205
Cayman Islands

Corporate Information

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Registered Public Interest Entity Auditor

HONG KONG SHARE REGISTRAR

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INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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STOCK CODE

1378.HK

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 30 JUNE 2023

9,475,538,425

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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121 Des Voeux Road Central, Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDAR

Interim Results Announcement Date
18 August 2023

COMPANY WEBSITE

www.hongqiaochina.com

EXPECTED DATE OF INTERIM DIVIDEND PAYMENT

8 December 2023

Financial Highlights

(Unaudited financial data prepared in accordance with the IAS)

For the six months ended 30 June

(RMB'000)

	2023	2022	Change
Revenue	65,733,870	68,738,652	-4.4%
Gross profit	5,892,364	14,955,187	-60.6%
Gross profit margin (%)	9.0	21.8	-12.8 p.p
Net profit margin (%)	4.5	12.6	-8.1 p.p
Net profit attributable to shareholders of the Company	2,456,623	7,846,289	-68.7%
Basic earnings per share (RMB)	0.259	0.850	-69.5%

As at 30 June

(RMB'000)

	2023	2022	Change
Cash and cash equivalents	29,776,735	49,222,961	-39.5%
Total capital (total equity + total debt)	162,884,938	159,049,849	+2.4%
EBITDA/Interest coverage ratio	6.0	10.2	-4.2 times
Debt/EBITDA (times)	3.6	1.8	+1.8 times
Debt/Total capital (%)	39.5	38.6	+0.8 p.p
Accounts receivable turnover (days)	13	21	-8 days
Accounts payable turnover (days)	36	53	-17 days
Inventory turnover (days)	110	89	+21 days

Chairman's Statement

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China Hongqiao Group Limited (the “**Company**” or “**China Hongqiao**”), I hereby present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 (the “**Period**” or “**Period under Review**”).

Throughout the first half of 2023, various negative factors, such as the ongoing geopolitical conflicts, frictions brought by trade protectionism, and the lagging effect of the US Federal Reserve's significant interest rate hikes have created a restrictive effect on the recovery of the global economy, leading to a weak recovery. Against the backdrop of a fragile global economic recovery trend, the Chinese economy has maintained relatively fast growth. According to data released by the National Bureau of Statistics of China, China's gross domestic product in the first half of 2023 reached nearly RMB60 trillion, representing a year-on-year increase of approximately 5.5% calculated at constant prices.

As to the industry, the US dollar index continued to strengthen, dragging down the prices of commodities, including aluminum. Overseas market demand was weak with a lingering inflation shadow, thus suppressing exports. By contrast, aluminum consumption in China has shown a steady upward trend. Although demand-side investment has decreased and consumption has shown only a weak recovery, especially in the real estate industry where the cooling-down phenomenon was particularly prominent, industries such as new energy vehicles and photovoltaics still brought incremental growth in consumption, which to a certain extent compensated for the reduction in other industries. Meanwhile, continuous introduction of relevant favorable policies and incentive measures has provided strong support for the further release of consumption potential for new energy vehicles.

Facing the complex international environment as well as the restorative growth of the Chinese economy, the Group is deeply aware of the importance of having a long-term focus. Therefore, it upholds its confidence and a long-term perspective, and deepens its core values of green development with a solid determination. At the same time, it remains open and inclusive with great courage to try and seize new opportunities with a forward-looking arrangement, to establish new advantages and to stimulate dynamic competitiveness of the enterprise, thereby achieving the overall stable business growth and breakthrough of the Group.

During the Period under Review, the Group's revenue amounted to approximately RMB65,733,870,000, representing a year-on-year decrease of approximately 4.4%; gross profit amounted to approximately RMB5,892,364,000, representing a year-on-year decrease of approximately 60.6%; net profit attributable to shareholders of the Company amounted to approximately RMB2,456,623,000, representing a year-on-year decrease of approximately 68.7%; and basic earnings per share amounted to approximately RMB0.259 (the corresponding period in 2022: approximately RMB0.850). The Board resolved payment of an interim dividend of HK12.0 cents per share for 2023 (the corresponding period in 2022: HK41.0 cents) and a special dividend of HK22.0 cents per share (the corresponding period in 2022: nil).

Chairman's Statement

During the Period, the Group continued to firmly adhere to the concept of sustainable development and developed its “Dual Carbon” goals and action plan, i.e. to strive to achieve carbon peaking by 2025 and net-zero emissions within the scope of its business operations by 2055. For this, the Group has formulated ten key initiatives for carbon neutrality, which encompass business transformation as the strategic direction, operational transformation as the critical focus, and organisational and impact transformation as the capability support, aiming to steadily achieve the Group’s “Dual Carbon” goals. Meanwhile, the Group has also fully implemented the six strategies of “leadership by technological innovation, digital empowerment, ecological priority, openness and integration, commitment to the country, collective development of the homeland”, continuously promoting the steady development of the Group. In addition, the Group has also made efforts to expand into the downstream industrial chain through the early-stage arrangements and plans developed throughout the years of dedication and commitments, with a view to enhancing the Group’s comprehensive competitiveness in the entire industrial chain, so as to achieve truly high-end, intelligent and green development, thereby accelerating the all-round realisation of high-quality development.

During the Period, the Group continued to promote and deepen the transformation of its energy structure, during which the Group actively gave full play to its leadership in the industry, attached great importance to the promotion of advanced technologies and equipment, and endeavored to enhance its operational efficiency. In particular, the construction process of the Group’s relocation of the hydropower aluminum base has been accelerating. At present, the equipment level, technology, craftsmanship and automated control of Yunnan Wenshan Green Aluminum Innovation Industrial Park (雲南文山綠色鋁創新產業園) have all reached international leading standards of the industry, and it has also, to a significant extent, achieved mechanical automation and intelligence, with the per capita labor efficiency reaching the advanced standards. The project with the annual output of 1.93 million tonnes of low-carbon aluminum of Yunnan Honghe New Materials Co., Ltd. (雲南宏合新型材料有限公司), which is about to commence, has become a key promoting industrial project in the Green and Low-Carbon Demonstration Industrial Park (綠色低碳示範產業園) in Luxi County, Honghe Prefecture. At the same time, the Group has continued to strengthen its investment in wind power and photovoltaic fields, thereby gradually replacing fossil fuels with clean energy, constantly promoting the conversion from old to new growth drivers, and continuously optimising the energy structure of the Group.

Besides, by virtue of its core strengths and careful deployment of the whole industrial chain support, overseas strategic arrangements and new materials research and development, which were developed through years of dedication, the Group has continued to engage deeply in the lightweight industry market during the Period, striving to create a highly efficient and synergistic industrial ecosystem, achieving high-quality development in the transformation from a raw materials manufacturing enterprise to a high-end equipment manufacturing enterprise, promoting the construction of a modernised industrial system, and embracing a broader prospect of development.

In the process of pushing forward the Group’s strategy, the Group has always upheld a positive and open mindset and philosophy, and actively participated in the co-construction of global industrial chains and value chains, with remarkable results achieved. In particular, the 2 million tonnes alumina project in Indonesia has been in steady operation; bauxite business in Guinea has been in good operation, and the multimodal industrial chain from the mining areas in Guinea to domestic factories has become increasingly stable; the Group continued to deepen exchanges and communication in multiple fields with Winning International Group and Shandong Port during the Period, expanding cooperation across the entire chain and multiple fields and collectively engaging in maintaining the stability of the global industrial supply chain. In addition, the Group has not only maintained close collaboration with leading overseas institutions through activities such as visits and exchanges, but also continued to increase its investment in research and development, thereby contributing to the continuous enhancement of the enterprise’s technological innovation capability, the further optimisation of the platform of collaboration between the industry, education and research sectors and the in-depth integration of technology, education, industry and universities.

Chairman's Statement

During the Period, as one of the first batch of enterprises participating in the green power aluminum evaluation, the Group received the first batch of Green Power Aluminum Product Evaluation Certifications (綠電鋁產品評價證書) at the 2023 Annual Conference of China Aluminum Processing Industry, which is undoubtedly another piece of strong evidence of the Group's wholehearted practice of its corporate responsibility and contribution to the development of the aluminum industry. Moreover, different companies under the Group have also reported remarkable results during the Period. In particular, Zouping Hongfa Aluminum Technology Co., Ltd. (鄒平宏發鋁業科技有限公司) was recognised as a national-level green factory; Shandong Weiqiao Lightweight Materials Co., Ltd. (山東魏橋輕量化材料有限公司) has passed the national high-tech enterprise identification (國家高新技術企業認定), and has successfully been included in the list of national high-tech enterprises; Shandong Hongqiao New Material Co., Ltd. (山東宏橋新型材料有限公司) ("**Shandong Hongqiao**") has not only been selected as an intelligent manufacturing benchmarking enterprise of Shandong Province (山東省智能製造標竿企業), but also been listed in the "2023 Top 500 Industrial Internet" (2023 工業互聯網 500 強), demonstrating the Group's positive efforts and outstanding performance in moving towards intelligence and high efficiency in the digital era.

During the Period under Review, the Group continued to uphold a proactive and stable capital operation strategy, which has strongly supported its strategic development and business advancement. In particular, Shandong Hongqiao, a subsidiary of the Company, successfully issued short-term financing bonds, medium-term notes and green medium-term notes with a total value of RMB4.9 billion during the Period, which has been positively welcomed by investors at large. The success of these financing activities reflects the market's trust and recognition of the Group and demonstrates our good reputation in the capital market. Through diversified financing channels, the Group have further optimised the capital structure, improved the financial flexibility and strengthened the stability of funds, laying a solid foundation for achieving the Group's sustainable development.

Looking ahead to the second half of the year, the global economy is gradually regaining its vitality after experiencing fluctuations for a period of time. The Chinese government is actively promoting adjustments to the economic structure and innovation-driven development, which will provide vast development opportunities for enterprises. The Group is confident in the high-quality development of the industry. We deeply understand that achievement and excellence cannot be accomplished just overnight, and instead it must stand the test of time and faith. Success is achieved after overcoming countless trials and tribulations. We firmly believe that there will be abundant harvests ahead of us as we move forward courageously and forge ahead bravely.

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 2023, and to our shareholders, investors and business partners for their support and trust. The Group will work together with all of you to create a better future!

Mr. Zhang Bo
Chairman of the Board

18 August 2023

Management Discussion and Analysis

INDUSTRY REVIEW

In the first half of 2023, against the background of continued high inflation and increasingly complex geopolitical conflicts around the world, the global economic growth remained sluggish, with intensified uncertainty in the financial markets and a significant fall in energy prices. Against this backdrop, domestic and international aluminum prices have fallen by varying degrees as compared with that of the corresponding period last year. According to Beijing Antaiko Information Co., Ltd. (北京安泰科信息股份有限公司) (“**Antaiko**”), the average price of three-month aluminum futures at the London Metal Exchange (LME) in the first half of 2023 was approximately US\$2,363/tonne (excluding tax), representing a year-on-year decrease of approximately 23.4%. The average price of three-month aluminum futures at the Shanghai Futures Exchange (SHFE) was approximately RMB18,333/tonne (including value-added tax), representing a year-on-year decrease of approximately 14.3%.

According to the statistics of Antaiko, the global output of primary aluminum in the first half of 2023 was approximately 34.43 million tonnes, representing a year-on-year increase of approximately 1.8%; global consumption of primary aluminum was approximately 34.36 million tonnes, representing a year-on-year decrease of approximately 0.5%. In terms of the Chinese market, the output of primary aluminum in the first half of 2023 was approximately 20.23 million tonnes, representing a year-on-year increase of approximately 3.1% and accounting for approximately 58.8% of global output; consumption of primary aluminum in the first half of 2023 was approximately 20.56 million tonnes, representing a year-on-year increase of approximately 4.3% and accounting for approximately 59.8% of global primary aluminum consumption.

Management Discussion and Analysis

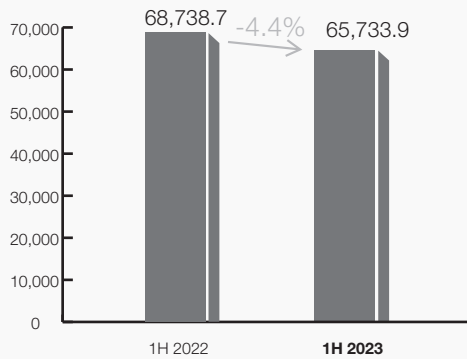
BUSINESS REVIEW

During the Period under Review, the Group's output of aluminum alloy products was approximately 3.059 million tonnes, representing a year-on-year increase of approximately 4.4%. The output of aluminum fabrication products was approximately 377,000 tonnes, representing a year-on-year increase of approximately 4.3%.

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 2023 and for the corresponding period in 2022 are as follows:

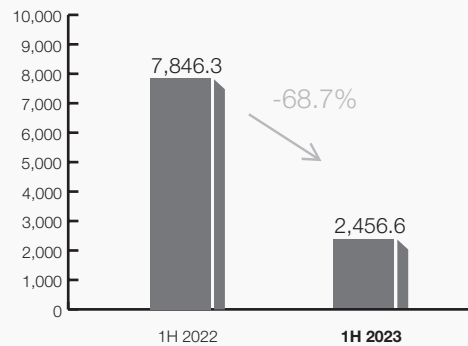
Revenue (Unaudited)

Unit: (RMB million)



Net profit attributable to shareholders of the Company (Unaudited)

Unit: (RMB million)



For the six months ended 30 June 2023, the Group's revenue was approximately RMB65,733,870,000, representing a year-on-year decrease of approximately 4.4%, mainly due to a decrease in the sales price of aluminum alloy products, aluminum fabrication products and alumina products during the Period as compared with that of the corresponding period last year, resulting in a corresponding decrease in revenue from products.

Management Discussion and Analysis

During the Period, the Group's sales volume of aluminum alloy products was approximately 2.824 million tonnes, representing an increase of approximately 5.7% as compared with the sales volume of approximately 2.670 million tonnes for the corresponding period last year. The average sales price of aluminum alloy products decreased by approximately 13.8% to approximately RMB16,284/tonne (excluding value-added tax) as compared with that of the corresponding period last year. The Group's sales volume of alumina products was approximately 5.378 million tonnes, representing a year-on-year increase of approximately 33.6%. The average sales price of alumina products decreased by approximately 5.4% to approximately RMB2,516/tonne (excluding value-added tax) as compared with that of the corresponding period last year. The sales volume of the Group's aluminum fabrication products was approximately 0.278 million tonnes, representing a decrease of approximately 9.3% as compared with that of the corresponding period last year. The average sales price of aluminum fabrication products decreased by approximately 12.2% to approximately RMB20,268/tonne (excluding value-added tax) and the revenue from aluminum fabrication products decreased by approximately 20.4% as compared with that of the corresponding period last year.

For the six months ended 30 June 2023, net profit attributable to shareholders of the Company amounted to approximately RMB2,456,623,000, representing a year-on-year decrease of approximately 68.7%, which was mainly attributable to the decrease in average sales price of products and gross profit of products, resulting in a decrease in net profit attributable to shareholders of the Company.

FINANCIAL REVIEW

The following table shows the comparison between the breakdown of the Group's revenue by products for the six months ended 30 June 2023 and for the corresponding period in 2022:

Products	For the six months ended 30 June							
	2023				2022			
	Revenue <i>RMB'000</i>	Gross profit (loss) <i>RMB'000</i>	Gross profit (loss) margin %	Proportion of sales revenue to total revenue %	Revenue <i>RMB'000</i>	Gross profit (loss) <i>RMB'000</i>	Gross profit (loss) margin %	Proportion of sales revenue to total revenue %
Aluminum alloy products	45,979,267	3,986,350	8.7	69.9	50,461,070	10,934,555	21.7	73.4
Alumina	13,531,809	1,209,409	8.9	20.6	10,706,214	2,453,517	22.9	15.6
Aluminum fabrication products	5,644,526	769,821	13.6	8.6	7,087,062	1,672,907	23.6	10.3
Steam	578,268	(73,216)	(12.7)	0.9	484,306	(105,792)	(21.8)	0.7
Total	65,733,870	5,892,364	9.0	100.0	68,738,652	14,955,187	21.8	100.0

Management Discussion and Analysis

For the six months ended 30 June 2023, the Group's revenue derived from aluminum alloy products was approximately RMB45,979,267,000, accounting for approximately 69.9% of the Group's revenue and representing a decrease of approximately 8.9% from approximately RMB50,461,070,000 for the corresponding period last year, which was mainly attributable to a decrease of approximately 13.8% in the sales price of aluminum alloy products. Revenue derived from alumina products was approximately RMB13,531,809,000, accounting for approximately 20.6% of the Group's revenue and representing an increase of approximately 26.4% from approximately RMB10,706,214,000 for the corresponding period last year, which was mainly attributable to an increase of approximately 33.6% in sales volume of alumina products. Revenue derived from aluminum fabrication products was approximately RMB5,644,526,000, accounting for approximately 8.6% of the Group's revenue and representing a decrease of approximately 20.4% from approximately RMB7,087,062,000 for the corresponding period last year, which was mainly attributable to the decrease in the sales volume and the sales price of aluminum fabrication products.

For the six months ended 30 June 2023, the overall gross profit margin of the Group was approximately 9.0%, representing a decrease of approximately 12.8 percentage points from approximately 21.8% for the corresponding period last year. Gross profit margin of aluminum alloy products was approximately 8.7%, representing a decrease of approximately 13.0 percentage points as compared with that of the corresponding period last year. This was mainly due to the decrease in sales price of aluminum alloy products as compared with that of the corresponding period last year. Gross profit margin of alumina products was approximately 8.9%, representing a decrease of approximately 14.0 percentage points as compared with that of the corresponding period last year. This was mainly due to the decrease in sales price of alumina products and the increase in the prices of major raw materials as compared with that of the corresponding period last year, resulting in the increase in costs of sales as compared with that of the corresponding period last year. Gross profit margin of aluminum fabrication products was approximately 13.6%, representing a decrease of approximately 10.0 percentage points as compared with that of the corresponding period last year. This was mainly due to the decrease in sales price of aluminum fabrication products as compared with that of the corresponding period last year.

Selling and distribution expenses

For the six months ended 30 June 2023, the Group's selling and distribution expenses were approximately RMB304,140,000, which did not differ significantly from approximately RMB301,894,000 for the corresponding period last year.

Administrative expenses

For the six months ended 30 June 2023, the Group's administrative expenses amounted to approximately RMB2,808,009,000, representing a decrease of approximately 8.2% as compared with approximately RMB3,060,161,000 for the corresponding period last year, which was mainly due to the decrease in the Group's exchange losses included in administrative expenses during the Period.

Management Discussion and Analysis

Finance costs

For the six months ended 30 June 2023, the Group's finance costs were approximately RMB1,474,674,000, representing a decrease of approximately 10.7% as compared with approximately RMB1,651,885,000 for the corresponding period last year, which was mainly due to the corresponding decrease in interest expenses as a result of the further optimisation of the debt structure and the decrease in overall finance costs of the Group during the Period.

Liquidity and financial resources

As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB29,776,735,000, representing an increase of approximately 8.7% as compared with approximately RMB27,384,542,000 of the cash and cash equivalents as at 31 December 2022.

For the six months ended 30 June 2023, the Group's net cash inflows from operating activities were approximately RMB7,087,021,000, net cash outflows from investing activities were approximately RMB6,060,284,000, and net cash inflows from financing activities were approximately RMB1,215,205,000. The net cash outflows from investing activities were mainly attributable to the cash outflows for the purchase of properties, plants and equipment. The net cash inflows from financing activities were mainly attributable to the issuance of short-term financing bonds and medium-term notes by the Group during the Period.

For the six months ended 30 June 2023, the Group's capital expenditure amounted to approximately RMB2,775,999,000, which was mainly used for the payment of the quality guarantee deposits for the preliminary stages of construction projects in accordance with the relevant contracts, and the construction expenditure of the green aluminum innovation industrial park project in Yunnan (雲南綠色鋁創新產業園項目), lightweight material base (輕量化材料基地), and Bohai Science and Innovation City Industrial Park project (渤海科創城產業園項目).

As at 30 June 2023, the Group had capital commitment of approximately RMB4,645,803,000, representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the construction projects such as the green aluminum innovation industrial park project in Yunnan, lightweight material base, and Bohai Science and Innovation City Industrial Park project.

As at 30 June 2023, the Group's trade receivables amounted to approximately RMB5,074,829,000, representing an increase of approximately 10.1% from approximately RMB4,610,695,000 as at 31 December 2022.

As at 30 June 2023, the Group's prepayments and other receivables (including non-current assets) amounted to approximately RMB8,341,954,000, representing a decrease of approximately 33.5% as compared to the prepayments and other receivables (including non-current assets) of approximately RMB12,551,561,000 as at 31 December 2022, which was mainly because certain prepayments and other receivables at the end of 2022 were utilised or collected during the Period.

Management Discussion and Analysis

As at 30 June 2023, the Group's inventory was approximately RMB35,846,442,000, representing a decrease of approximately 3.8% from approximately RMB37,267,620,000 as at 31 December 2022, which was mainly due to the decrease in the cost of inventory of major raw materials such as coal and anode carbon blocks.

Income tax

The Group's income tax for the first half of 2023 amounted to approximately RMB871,674,000, representing a decrease of approximately 65.8% from approximately RMB2,545,319,000 for the corresponding period last year, which was mainly due to the corresponding decrease in income tax as a result of the significant decrease in the Group's profit before tax as compared with that of the corresponding period last year.

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

For the six months ended 30 June 2023, net profit attributable to shareholders of the Company amounted to approximately RMB2,456,623,000, representing a decrease of approximately 68.7% from approximately RMB7,846,289,000 for the corresponding period last year.

During the Period, basic earnings per share of the Company were approximately RMB0.259 (the corresponding period in 2022: approximately RMB0.850).

Interim dividend and closure of register of members

On 18 August 2023, the Board resolved to declare an interim dividend of HK12.0 cents per share for the six months ended 30 June 2023 (the "**Interim Dividend**") and a special dividend of HK22.0 cents per share (the "**Special Dividend**"), payable to the shareholders whose names appear on the register of members of the Company on Friday, 24 November 2023. For the purpose of determining the identity of the shareholders who are entitled to the Interim Dividend and the Special Dividend, the register of members of the Company will be closed from Monday, 20 November 2023 to Friday, 24 November 2023 (both days inclusive), during which no transfer of shares will be effected. The Interim Dividend and the Special Dividend are expected to be paid on Friday, 8 December 2023.

In order to determine the identity of the shareholders who are entitled to the Interim Dividend and the Special Dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch 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 Friday, 17 November 2023.

Management Discussion and Analysis

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 need. As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB29,776,735,000 (31 December 2022: approximately RMB27,384,542,000), which were mainly placed in commercial banks. Such level of cash and cash equivalents would assist in ensuring the stability and flexibility of the Group's business operations. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources, so as to satisfy the business needs and maintain a sound and stable financial position.

As at 30 June 2023, the total liabilities of the Group amounted to approximately RMB90,744,891,000 (31 December 2022: approximately RMB89,436,014,000). Gearing ratio (total liabilities to total assets) was approximately 47.9% (31 December 2022: approximately 48.2%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use assets as collateral for bank borrowings to provide part of the funding for its daily business operations and project development. As at 30 June 2023, secured bank borrowings of the Group amounted to approximately RMB9,471,334,000 (31 December 2022: approximately RMB8,832,952,000).

As at 30 June 2023, the Group's total bank borrowings were approximately RMB36,353,135,000. The Group maintained an appropriate portfolio of liabilities at fixed interest rates and variable interest rates to manage its interest expenses. As at 30 June 2023, approximately 52.2% of the Group's bank borrowings were subject to fixed interest rates while its remainder of approximately 47.8% was subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of financing through utilising various debt financing instruments. As at 30 June 2023, liabilities of the Group, other than bank borrowings, included short-term bonds and notes of approximately RMB6,000,000,000, medium-term notes and bonds of approximately RMB15,909,585,000, guaranteed notes of approximately RMB3,582,330,000 and convertible bonds of approximately RMB2,426,430,000, interest rates of which ranged from 3.47% to 7.375% per annum. Such notes and bonds would facilitate the optimisation of the Group's debt structure and reduce financing costs.

As at 30 June 2023, the Group had net current assets of approximately RMB14,671,353,000. The Group will continue to expand its financing channels and optimise its debt structure. In addition, the Group will continue to control its production costs, enhance its profitability and improve its cash flow position in order to ensure the Group to have adequate liquidity.

As at 30 June 2023, the Group's liabilities were mainly denominated in RMB and US Dollars, of which, approximately 84.3% of the total liabilities were denominated in RMB, and approximately 15.7% were denominated in US Dollars. The Group's cash and cash equivalents were mainly held in RMB and US Dollars, of which approximately 93.2% were held in RMB and approximately 6.4% were held in US Dollars.

Management Discussion and Analysis

Employee and remuneration policy

As at 30 June 2023, the Group had a total of 48,746 employees, representing an increase of 2,099 employees as compared to that of 31 December 2022. During the Period, the total staff costs of the Group amounted to approximately RMB2,341,463,000, representing a decrease of approximately 6.9% as compared to approximately RMB2,514,558,000 for the corresponding period of last year, which was mainly due to the pandemic-related subsidies and benefits provided by the Group to its employees in the corresponding period last year. The total staff costs of the Group were approximately 3.6% of its revenue. The remuneration packages of the employees of the Group include salaries, various allowances and benefits. In addition, the Group established a performance-based incentive mechanism under which the employees may be awarded additional bonuses. The Group provided training programmes to employees to equip them with the requisite working skills and knowledge.

Foreign exchange risk

The Group collected most of its revenue in RMB and funded most of its expenditures in RMB. As the import of bauxite and production equipment, export for certain aluminum fabrication products, certain bank balances, bank borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is exposed to certain foreign exchange risk. As at 30 June 2023, the Group's bank balances denominated in foreign currencies were approximately RMB2,028,350,000, and liabilities denominated in foreign currencies were approximately RMB10,060,867,000. For the six months ended 30 June 2023, the Group's foreign exchange losses were approximately RMB354,012,000 (for the six months ended 30 June 2022: foreign exchange losses of approximately RMB753,495,000).

During the Period under review, the Group actively took measures to mitigate currency exchange rate fluctuation risks, and ensured the foreign exchange risks were generally under control. The Group actively took the following measures to hedge its foreign exchange risks in accordance with its business operations: (i) reasonable arrangements for financing and foreign exchange revenue and expenditure with timely adjustments to the foreign exchange fund management scheme; (ii) promotion of a cross-border fund pool management model which centralised and unified management and use of domestic and overseas funds in order to reduce settlement and sale costs and currency exchange losses; and (iii) timely use of swap instruments to hedge foreign exchange risks in conjunction with changes in exchange rates and interest rates.

Contingent liability

As at 30 June 2023, the Group had no significant contingent liability.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

For the six months ended 30 June 2023, the Company did not have other material acquisitions or disposals of subsidiaries, associates or joint ventures.

Management Discussion and Analysis

Significant investments held

For the six months ended 30 June 2023, 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 2023 and as of the date of this interim report, there was no future plan approved by the Group for any material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2023 and up to the date of this interim report, there was no important event affecting the Group.

FUTURE PROSPECT

Although many international institutions including the World Bank and the International Monetary Fund have raised their expectations for the global economic growth this year, the global economy will still suffer a lot of uncertainties in the second half of the year for the reasons that the US Federal Reserve may continue to raise interest rates slightly, that global inflation remains a downward trend as a whole, and that major economies are expected to continue to adopt contractionary monetary policies for a period of time. Therefore, the Group will insist on its solid and stable operational deployment and carry out a steady and far-reaching capital optimisation strategy, striving to pursue a future development blueprint on the basis of its solid development.

Currently, the Group is in a critical period of accelerating transformation and upgrading, and achieving high-quality development. The Group will continue to spare no effort in practising the sustainable development strategy to drive synergistic progress in economic, social and environmental aspects. In the meantime, the Group will focus on the lightweight development direction, make every effort to build a closed green ecological loop in the aluminum industry chain by taking manufacturing of green high-end equipment and utilisation of renewable resources as the starting point, and actively lead and drive the development of the upstream and downstream industrial chains. The Group will also continue to keep a close eye on the market dynamics, flexibly adjust its strategic arrangement, seize the opportunities and cope with the challenges. Furthermore, the Group will continue to strengthen internal management, optimise resources allocation, enhance business operation efficiency, increase investment in technological innovation, and promote in-depth adjustment and upgrading of product structure, so as to move towards a higher-end level and further bolster the solid foundation for building a globally competitive world-leading enterprise.

Supplementary Information

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

As at 30 June 2023, so far as it is 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 (“**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 shareholding in the total issued share capital as at 30 June 2023 (%)
Shiping Prosperity Private Trust Company ⁽¹⁾	Trustee	6,076,513,573 (Long position)	64.13
China Hongqiao Holdings Limited (“ Hongqiao Holdings ”) ⁽¹⁾	Beneficial owner	6,076,513,573 (Long position)	64.13
Ms. Zhang Hongxia ⁽²⁾	Interest in persons acting in concert	6,085,383,573 (Long position)	64.22
Ms. Zhang Yanhong ⁽²⁾	Interest in persons acting in concert	6,085,383,573 (Long position)	64.22
CTI Capital Management Limited ⁽⁴⁾	Beneficial owner	803,190,170 (Long position) ⁽³⁾	8.48
CITIC Limited ⁽⁴⁾	Interest of a controlled corporation	1,203,994,870 (Long position)	12.71
		185,000,000 (Short position)	1.95
CITIC Group Corporation ⁽⁴⁾	Interest of a controlled corporation	1,203,994,870 (Long position)	12.71
		185,000,000 (Short position)	1.95

Supplementary Information

Notes:

- (1) Shipping Prosperity Private Trust Company ("**Shipping Trust Company**") held 100% equity interest in Hongqiao Holdings as trustee.
- (2) Shipping Trust Company held 100% equity interest in Hongqiao Holdings as trustee. Shipping Global Holding Company Limited ("**Shipping Global**") is the settlor, protector and one of the beneficiaries of Shipping Prosperity Trust. Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong held 40%, 30% and 30% equity interests in Shipping Global respectively, and to maintain an acting-in-concert arrangement in respect of the exercise of the shareholders' rights of Shipping Global. Accordingly, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company held by Hongqiao Holdings. In addition, Mr. Zhang Bo, as the beneficial owner, holds 8,870,000 shares in the Company. By virtue of the acting-in-concert arrangement, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company beneficially held by Mr. Zhang Bo.
- (3) According to the disclosure of interests as set out on the website of the Stock Exchange, CTI Capital Management Limited was interested in 803,190,170 shares of the Company in long position.
- (4) According to the disclosure of interests as set out on the website of the Stock Exchange and the information available to the Company, 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.

According to the disclosure of interests as set out on the website of the Stock Exchange and the information available to the Company, CITIC Corporation Limited held 1.19% equity interest in China CITIC Bank Corporation Limited and CITIC Corporation Limited held 100% equity interest in CITIC Investment (HK) Limited, which in turn held 100% equity interest in Fortune Class Investments Limited. Fortune Class Investments Limited held 0.02% equity interest in China CITIC Bank Corporation Limited. CITIC Corporation Limited also held 100% equity interest in CITIC Financial Holdings Co., Ltd., which in turn held 64.18% equity interest in China CITIC Bank Corporation Limited. In addition, CITIC Limited held 100% equity interest in Metal Link Limited, which in turn held 0.58% equity interest in China CITIC Bank Corporation Limited. China CITIC Bank Corporation Limited held 100% equity interest in CNCB (Hong Kong) Investment Limited. 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 2023, so far as it is 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.

Supplementary Information

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

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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 (“**Listing Rules**”), were as follows:

Name of director	Capacity/Nature of interest	Number of total shares held	Approximate percentage of shareholding in the total issued share capital as at 30 June 2023 (%)
Mr. Zhang Bo ⁽¹⁾	Beneficial owner	8,870,000 (Long position)	0.09
	Interest in persons acting in concert	6,076,513,573 (Long position)	64.13

Note:

- (1) Shiping Trust Company held 100% equity interest in Hongqiao Holdings as trustee. Shiping Global is the settlor, protector and one of the beneficiaries of Shiping Prosperity Trust. Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong held 40%, 30% and 30% equity interests in Shiping Global respectively, and to maintain an acting-in-concert arrangement in respect of the exercise of the shareholders' rights of Shiping Global. Accordingly, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company held by Hongqiao Holdings.

Save as disclosed above, as at 30 June 2023, there was no any other Directors or chief executive of the Company or any of their spouse or children under the age of 18 who had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or to be recorded in the register required to be kept by the Company under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Supplementary Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2023 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**”) of the Board in compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. The Audit Committee meeting was held on 18 August 2023 to review the interim results and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023. The Audit Committee considered that the interim financial results of the Group for the six months ended 30 June 2023 were in compliance with the relevant accounting standards, rules and regulations and adequate disclosures had 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 2023 and up to the date of this interim report.

ADJUSTMENT OF CONVERSION PRICE OF THE 5.25% CONVERTIBLE BONDS DUE 2026 WITH A PRINCIPAL AMOUNT OF US\$300,000,000

Reference is made to the announcement of the Company dated 8 January 2021 in relation to, among other things, the terms and conditions of the US\$300,000,000 5.25% convertible bonds due 2026 issued by the Company (the “**2021 Convertible Bonds**”). Due to the declaration of the final dividend by the Company for 2022, the conversion price of the 2021 Convertible Bonds has been adjusted from HK\$7.24 per share to HK\$7.15 per share with effect from 1 June 2023 (being the business day immediately after the record date (i.e. 31 May 2023) in relation to the declaration), details of which are set out in the announcement of the Company dated 31 May 2023.

Supplementary Information

CHANGES IN INFORMATION OF DIRECTOR AND CHIEF EXECUTIVE

- (1) Mr. Xing Jian retired as an independent non-executive Director after the conclusion of the annual general meeting of the Company held on 16 May 2023 due to his health condition, and ceased to act as the chairman of the nomination committee (the “**Nomination Committee**”) and a member of the audit committee and the remuneration committee (the “**Remuneration Committee**”) of the Board with effect from the same date.
- (2) Ms. Fu Yulin has been appointed as an independent non-executive Director with effect from 16 May 2023, and has served as a member of the Nomination Committee with effect from the same date.
- (3) Mr. Zhang Bo has served as the chairman of the Nomination Committee since 16 May 2023.
- (4) Mr. Wen Xianjun has served as a member of the Audit Committee and the Remuneration Committee since 16 May 2023.

Save as disclosed above, for the six months ended 30 June 2023 and up to the date of this interim report, there was no other change in the Directors and chief executive of the Company, and the Company was not aware of any other changes in the information of the Directors and chief executive of the Company which were required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 with all of the Directors, the Company confirmed that each of the Directors had 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 2023 and up to the date of this interim report.

Supplementary Information

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 2023, the Company had 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 C.2.1 stipulates that the roles of chairman and chief executive should be separate and not be performed by the same individual. However, taking into consideration the abundant management experience and industry knowledge of Mr. Zhang Bo and the fact that he is very familiar with the business of the Group, the Board believes that it is beneficial to the continuous and stable development of the 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 2023.

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 despatched to the shareholders on or before 18 September 2023.

Report on Review of Interim Condensed Consolidated Financial Information



SHINEWING (HK) CPA Limited
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311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE 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 24 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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 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

Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong
18 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	4	65,733,870	68,738,652
Cost of sales		(59,841,506)	(53,783,465)
Gross profit		5,892,364	14,955,187
Other income and gains	5	1,658,719	1,606,697
Selling and distribution expenses		(304,140)	(301,894)
Administrative expenses		(2,808,009)	(3,060,161)
Other expenses	6	(89,388)	(197,355)
Finance costs	8	(1,474,674)	(1,651,885)
Changes in fair value of financial instruments	21	14,393	(346,843)
Share of profits of associates		954,433	226,849
Profit before taxation		3,843,698	11,230,595
Income tax expense	7	(871,674)	(2,545,319)
Profit for the period	8	2,972,024	8,685,276
Profit for the period attributable to:			
Owners of the Company		2,456,623	7,846,289
Non-controlling interests		515,401	838,987
		2,972,024	8,685,276
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		322,388	209,952
Share of other comprehensive income of associates		41,517	160,548
Other comprehensive income for the period		363,905	370,500
<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		(37,127)	(83,260)
Total comprehensive income for the period, net of income tax		3,298,802	8,972,516
Total comprehensive income for the period attributable to:			
Owners of the Company		2,711,605	8,051,588
Non-controlling interests		587,197	920,928
		3,298,802	8,972,516
Earnings per share	10		
– Basic (RMB)		0.259	0.850
– Diluted (RMB)		0.259	0.850

Condensed Consolidated Statement of Financial Position

At 30 June 2023

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	11	66,282,375	68,060,299
Right-of-use assets	12	8,789,307	7,672,678
Intangible assets		33,289	34,291
Investment properties		44,375	41,046
Deposits paid for acquisition of property, plant and equipment		670,021	644,100
Deferred tax assets		2,348,161	2,605,197
Interests in associates	13	12,207,916	10,296,678
Loan to an associate		2,000,000	2,000,000
Goodwill	14	278,224	278,224
Financial asset at amortised cost	28	2,494,000	2,499,000
Other financial assets	15	6,505,461	1,542,588
Prepayment	19	–	2,500,000
		101,653,129	98,174,101
CURRENT ASSETS			
Inventories	16	35,846,442	37,267,620
Trade receivables	17	5,074,829	4,610,695
Bills receivables	18	5,263,543	5,573,175
Prepayments and other receivables	19	8,341,954	10,051,561
Other financial asset	15	–	2,122
Income tax recoverable		1,551,087	957,917
Restricted bank deposits	20	1,850,630	1,720,058
Cash and cash equivalents	20	29,776,735	27,384,542
		87,705,220	87,567,690
CURRENT LIABILITIES			
Trade and bills payables	22	13,046,357	14,911,002
Other payables and accruals		11,061,702	12,357,158
Bank borrowings – due within one year	23	25,785,967	30,533,850
Lease liabilities	12	38,491	16,161
Income tax payable		481,365	618,264
Short-term debentures and notes	24	6,000,000	3,000,000
Medium-term debentures and bonds – due within one year	25	13,019,778	8,507,112
Guaranteed notes – due within one year	26	3,582,330	1,392,893
Deferred income		17,877	36,684
		73,033,867	71,373,124

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NET CURRENT ASSETS		14,671,353	16,194,566
TOTAL ASSETS LESS CURRENT LIABILITIES		116,324,482	114,368,667
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	<i>23</i>	10,567,168	4,993,909
Lease liabilities	<i>12</i>	588,254	51,755
Liability component of convertible bonds – due after one year	<i>27</i>	1,961,385	1,830,527
Derivatives component of convertible bonds – due after one year	<i>27</i>	465,045	457,010
Deferred tax liabilities		420,347	523,795
Medium-term debentures and bonds – due after one year	<i>25</i>	2,889,807	5,960,847
Guaranteed notes – due after one year	<i>26</i>	–	3,450,755
Deferred income		819,018	794,292
		17,711,024	18,062,890
NET ASSETS		98,613,458	96,305,777
CAPITAL AND RESERVES			
Share capital	<i>29</i>	618,881	618,881
Reserves	<i>30</i>	85,719,213	83,879,972
Equity attributable to owners of the Company		86,338,094	84,498,853
Non-controlling interests		12,275,364	11,806,924
TOTAL EQUITY		98,613,458	96,305,777

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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 2023 (Audited)	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777
Profit for the period	-	-	-	-	-	-	2,456,623	2,456,623	515,401	2,972,024
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(37,127)	-	-	-	-	(37,127)	-	(37,127)
Exchange differences on translation of foreign operations	-	-	-	-	250,592	-	-	250,592	71,796	322,388
Share of other comprehensive income of associates	-	-	-	-	41,517	-	-	41,517	-	41,517
Total comprehensive (expense) income for the period	-	-	(37,127)	-	292,109	-	2,456,623	2,711,605	587,197	3,298,802
Capital contribution	-	-	-	-	-	-	-	-	2,000	2,000
Dividend paid (note 9)	-	-	-	-	-	-	(872,364)	(872,364)	-	(872,364)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(120,757)	(120,757)
	-	-	-	-	-	-	(872,364)	(872,364)	(118,757)	(991,121)
At 30 June 2023 (Unaudited)	618,881	25,040,832	(756,898)	217,699	615,420	16,304,187	44,297,973	86,338,094	12,275,364	98,613,458

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company									Total
	Share capital	Share premium	Investment revaluation reserve	Capital reserve	Translation reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (Audited)	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829
Profit for the period	-	-	-	-	-	-	7,846,289	7,846,289	838,987	8,685,276
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(83,260)	-	-	-	-	(83,260)	-	(83,260)
Exchange differences on translation of foreign operations	-	-	-	-	128,011	-	-	128,011	81,941	209,952
Share of other comprehensive income of associates	-	-	-	-	160,548	-	-	160,548	-	160,548
Total comprehensive (expense) income for the period	-	-	(83,260)	-	288,559	-	7,846,289	8,051,588	920,928	8,972,516
Issue of shares upon conversion of convertible bonds (note 27)	13,786	1,311,173	-	-	-	-	-	1,324,959	-	1,324,959
Capital contribution	-	-	-	-	-	-	-	-	118,270	118,270
Share of capital reserve of an associate	-	-	-	(28)	-	-	-	(28)	-	(28)
Change in ownership in interest in subsidiaries	-	-	-	(57,650)	-	-	-	(57,650)	(178,850)	(236,500)
Transfer to non-controlling interests	-	-	-	3,099	-	-	-	3,099	(3,099)	-
Dividend paid (note 9)	-	-	-	-	-	-	(4,712,320)	(4,712,320)	(308,605)	(5,020,925)
	13,786	1,311,173	-	(54,579)	-	-	(4,712,320)	(3,441,940)	(372,284)	(3,814,224)
At 30 June 2022 (Unaudited)	608,925	24,144,540	(936,284)	195,003	229,691	14,951,045	46,724,523	85,917,443	11,679,678	97,597,121

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	8,535,176	13,186,562
Income tax paid	(1,448,155)	(3,502,429)
NET CASH GENERATED FROM OPERATING ACTIVITIES	7,087,021	9,684,133
INVESTING ACTIVITIES		
Purchase of other financial assets	(2,500,000)	–
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	(2,775,999)	(2,728,267)
Placement of restricted bank deposits	(2,644,724)	(632,323)
Purchases of financial assets at amortised cost	(2,494,000)	–
Capital injection to associates	(694,000)	(63,000)
Addition to right-of-use assets	(626,560)	(772,429)
Addition and prepayment for acquisition of intangible assets	(1,821)	(5,765)
Proceeds from disposal of other financial asset	2,122	–
Proceeds from disposal of property, plant and equipment	205,660	393,085
Interest received	455,886	347,305
Proceeds from disposal of financial assets at amortised cost	2,499,000	–
Withdrawal of restricted bank deposits	2,514,152	545,801
Advance to an associate	–	(335,570)
NET CASH USED IN INVESTING ACTIVITIES	(6,060,284)	(3,251,163)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
New bank borrowings	16,549,775	8,611,274
Proceeds from issuance of short-term debentures and notes	3,000,000	–
Proceeds from issuance of medium-term debentures and bonds	1,900,000	3,000,000
Receipt of government grants	25,809	16,654
Contribution from non-controlling interests	2,000	118,270
Acquisition of additional interest in subsidiary	–	(236,500)
Transaction costs on issue of short-term debentures and notes	(9,000)	–
Transaction costs on issuance of medium-term debentures and bonds	(11,400)	(18,000)
Payment of lease liabilities	(42,719)	(9,905)
Dividend paid to non-controlling interests	(120,762)	(308,605)
Repayment of medium-term bonds	(500,000)	(3,000,214)
Dividend paid	(872,364)	(4,712,321)
Interest expenses paid	(1,423,545)	(1,596,965)
Redemption of guaranteed notes	(1,436,432)	–
Repayment of bank borrowings	(15,846,157)	(8,399,620)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	1,215,205	(6,535,932)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,241,942	(102,962)
Effect of changes in foreign exchange rates	150,251	98,641
CASH AND CASH EQUIVALENTS AT 1 JANUARY	27,384,542	49,227,282
CASH AND CASH EQUIVALENTS AT 30 JUNE		
represented by bank balances and cash	29,776,735	49,222,961

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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 the Republic of Indonesia (“**Indonesia**”) is denoted in Indonesia Rupiah (“**IDR**”) and the functional currency of subsidiaries established in the Republic of Singapore and the Republic of Guinea are denoted in United States Dollar (“**US\$**”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022, 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 2022, except as disclosed below.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2023:

IFRS 17 and related amendments	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

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

Except as described below, the application of the new and amendments to IFRSs in the current 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.

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

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial information of the Group as they are relevant to disclosures of accounting policies in complete financial statements rather than interim financial information. The amendments are expected to affect the accounting policy disclosures in the Group's annual financial statements for the year ending 31 December 2023.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Impact on application of Amendments to IAS 8 – Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the interim condensed consolidated financial information of the Group.

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

There was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022. The key impact for the Groups related to the disclosure of deferred tax assets and liabilities recognised, and the relevant disclosure will be provided in the Group's annual financial statements.

Impact on application of Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

In May 2023, the IASB has issued amendments to IAS 12 Income Taxes – International Tax Reform – *Pillar Two Model Rules*. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes, and the requirement to disclose the application of the exception immediately and retrospectively upon issue of the amendments. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023 but are not required for the current interim period.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

4. REVENUE

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	40,359,290	44,912,495
– aluminum alloy ingot	5,619,977	5,548,575
– aluminum fabrication	5,644,526	7,087,062
– alumina products	13,531,809	10,706,214
Steam supply income	578,268	484,306
	65,733,870	68,738,652

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Geographical region</i>		
The PRC	62,456,431	64,453,287
India	926,023	621,468
Europe	1,291,302	1,369,673
Malaysia	118,937	70,829
Other Southeast Asia region	259,154	1,070,580
North America	517,060	901,689
Others	164,963	251,126
Total	65,733,870	68,738,652
<i>Type of customers</i>		
Government related	192	221
Non-government related	65,733,678	68,738,431
Total	65,733,870	68,738,652

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Amortisation of deferred income	19,890	25,462
Bank interest income	96,695	63,755
Investment income	70,805	72,232
Interest income from associates	113,956	58,525
Other interest income	171,338	155,228
Rental income for investment properties under operating lease	300	300
Gain from sales of raw materials and scraps materials	516,606	474,298
Gain from sales of slag of carbon anode blocks	601,310	655,073
Gain on disposal of property, plant and equipment	63,146	74,814
Reversal of impairment of trade receivables	–	1,161
Reversal of impairment of other receivables	–	3,635
Reversal of write-down of inventories	–	17,616
Others	4,673	4,598
	1,658,719	1,606,697

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

6. OTHER EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of trade receivables	477	–
Impairment loss recognised in respect of other receivables	11,033	–
Impairment loss recognised in respect of property, plant and equipment	–	112,874
Write-down of inventories to net realisable value	77,878	84,481
	89,388	197,355

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	–	–
– Indonesia Corporate Tax	124,776	120,613
– PRC Enterprise Income Tax	593,310	3,061,227
– Withholding tax paid	–	30,067
	718,086	3,211,907
Deferred taxation	153,588	(666,588)
Total income tax expense for the period	871,674	2,545,319

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest expenses on bank borrowings	1,081,620	996,821
Interest expenses on short-term debentures and notes	36,203	29,902
Interest expenses on medium-term debentures and bonds	215,836	254,301
Interest expenses on guaranteed notes	136,184	221,802
Interest expenses on convertible bonds	94,554	147,574
Interest expenses on lease liabilities	11,850	1,485
Total interest expense for financial liabilities not measured at FVTPL	1,576,247	1,651,885
Less: amounts capitalised in the cost of qualifying assets	(101,573)	–
	1,474,674	1,651,885
Amortisation of intangible assets	2,823	2,713
Cost of inventories recognised as an expense	59,841,506	53,783,465
Depreciation of property, plant and equipment	3,483,019	2,968,332
Depreciation of investment properties	1,456	79
Depreciation of right-of-use assets	112,235	93,555
Foreign exchange loss, net	354,012	753,495
Research and development expenses (note)	1,031,524	953,942
Gross rental income from investment properties	300	300
Less: direct operating expenses incurred for investment properties that generated rental income during the period	–	–
	300	300

Note: Included in research and development expenses was staff cost of approximately RMB160,727,000 (six months ended 30 June 2022: RMB125,930,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

9. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2022 Final dividend – HK10 cents (2022: 2021 Final dividend – HK60 cents)	872,364	4,712,320

During the six months ended 30 June 2023, a final dividend of HK10 cents per share in respect of the year ended 31 December 2022 (2022: a final dividend of HK60 cents per share in respect of the year ended 31 December 2021) has been approved and paid.

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK12 cents per share and a special dividend of HK22 cents per share, amounting to approximately HK\$3,221,683,000 in total will be paid. The amount of interim dividend and special 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.

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	2,456,623	7,846,289
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	–	–
Changes in fair values of derivatives component of convertible bonds	–	–
Exchange loss on translation of liability component of convertible bonds	–	–
Earnings for the purpose of diluted earnings per share	2,456,623	7,846,289

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,475,538	9,227,753
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,475,538	9,227,753

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 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 2023, the Group purchased property, plant and equipment of approximately RMB200,749,000 (six months ended 30 June 2022: RMB618,497,000), and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB142,514,000 (six months ended 30 June 2022: RMB318,271,000).

During the six months ended 30 June 2023, the Group also spent approximately RMB1,485,397,000 (six months ended 30 June 2022: RMB2,103,755,000) on the construction of its new product lines and plant.

The depreciation of the Group for the six months ended 30 June 2023 is approximately RMB3,483,019,000 (six months ended 30 June 2022: RMB2,968,332,000).

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the six months ended 30 June 2022, due to certain new local incentive policy launched, the directors of the Company conducted a study and further relocated certain manufacturing plants to enjoy such benefits. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets that subject to the relocation plan were impaired to their recoverable amount of approximately RMB2,729,367,000, which was their carrying values at period end and the impairment of RMB112,874,000 had been recognised in profit or loss within the relevant functions to which these assets related during the six months ended 30 June 2022.

The valuation carried out on 30 June 2022 was performed by Wanlong (Shanghai) Assets Assessment Co., Ltd (“**Wanlong**”), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations.

No impairment loss was recognised for property, plant and equipment for the six months ended 30 June 2023 as there is no impairment indicator identified at the reporting period end.

At 30 June 2023, certain of the Group’s buildings with a net carrying amount of approximately RMB11,524,906,000 (31 December 2022: RMB12,069,053,000) were pledged to secure bank borrowings of the Group (note 32).

There are properties with a carrying amount of approximately RMB5,167,449,000 (31 December 2022: RMB6,121,762,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 June 2023, right-of-use assets of approximately RMB8,706,134,000 (31 December 2022: RMB7,608,160,000) 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 2023, the Group purchased land use rights located in the PRC of approximately RMB1,210,749,000 (six months ended 30 June 2022: RMB772,429,000).

As at 30 June 2023, the Group is still in the process of obtaining the land certificate with the carrying amount of approximately RMB331,790,000 (31 December 2022: RMB1,300,343,000). In the opinion of the directors of the Company, based on the advice from the Group’s external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group also recognised right-of-use assets for its lease arrangements for office premises and factories and vessels of approximately RMB71,019,000 and RMB12,154,000 (31 December 2022: RMB49,583,000 and RMB14,935,000), respectively. The lease terms are generally ranged from 2 to 20 years.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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

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

During the six months ended 30 June 2023, the Group entered into a number of new lease agreements for office premises and land use rights and recognised right-of-use assets of approximately RMB15,821,000 and RMB584,189,000 (six months ended 30 June 2022: vessels of approximately RMB22,790,000) respectively.

At 30 June 2023, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB550,663,000 (31 December 2022: RMB556,345,000) were pledged to secure bank borrowings of the Group (note 32).

(ii) Lease liabilities

As at 30 June 2023, the carrying amount of lease liabilities was approximately RMB626,745,000 (31 December 2022: RMB67,916,000).

During the six months ended 30 June 2023, the Group entered into new lease agreements for office premises and land use rights and recognised lease liabilities of approximately RMB15,821,000 and RMB584,189,000 (six months ended 30 June 2022: vessels of approximately RMB22,790,000), respectively.

(iii) Amount recognised in profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	112,235	93,555
Interest expense on lease liabilities	11,850	1,485

(iv) Other

During the six months ended 30 June 2023, the total cash outflow for leases (excluded payments on purchase of land use rights) amounted to approximately RMB54,569,000 (six months ended 30 June 2022: RMB11,390,000).

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

13. INTERESTS IN ASSOCIATES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Costs of investments in associates	6,448,374	5,754,374
Share of profits and other comprehensive income, net of dividends received	3,880,834	2,731,508
Loan to associates	10,329,208 1,878,708	8,485,882 1,810,796
	12,207,916	10,296,678

The loan to associates of US\$110,000,000, equivalent to approximately RMB794,838,000 (31 December 2022: US\$110,000,000, equivalent to approximately RMB766,106,000) is unsecured, interest-free and no fixed term for repayment.

The remaining loan to associates of US\$150,000,000, equivalent to approximately RMB1,083,870,000 (31 December 2022: US\$150,000,000, equivalent to approximately RMB1,044,690,000) is unsecured, interest bearing at London Interbank Offered Rate ("LIBOR") + 5% and no fixed term for repayment.

During the six months ended 30 June 2023, the Group established an associate and made additional contribution to an existing associate with an amount of approximately RMB672,000,000 (six months ended 30 June 2022: nil) and RMB22,000,000 (six months ended 30 June 2022: RMB63,000,000) respectively.

The Group's payable balances with the associates are disclosed in note 35.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

14. GOODWILL

	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost		
At beginning and at the end of the financial period/year	1,934,457	1,934,457
Impairment		
At beginning and 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.

No impairment loss has been recognised during the six months ended 30 June 2023 and year ended 31 December 2022.

15. OTHER FINANCIAL ASSETS

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

As at 30 June 2023, the Group invested in two limited partnerships with a total amount of RMB5,000,000,000. Part of the investment cost of RMB2,500,000,000, was being transferred from prepayment made in 2022. The principal activities of above investees are investment in renewable energy industries.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

16. INVENTORIES

At 30 June 2023, the carrying amounts of the Group's inventories were net of provision of impairment of approximately RMB35,846,442,000 (31 December 2022: RMB37,267,620,000).

During the period, write-down of inventories of approximately RMB77,878,000 (six months ended 30 June 2022: RMB84,481,000) has been recognised and included in other expenses and reversal of provision of approximately RMB nil (six months ended 30 June 2022: RMB17,616,000) has been recognised and included in other income and gains due to increase of net realisable value of certain inventories in subsequent period.

During the six months ended 30 June 2023, inventories previously impaired were sold or used. As a result, a reversal of provision of approximately RMB112,917,000 (six months ended 30 June 2022: nil) has been recognised and included in cost of sales.

17. TRADE RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	5,082,025	4,617,414
Less: allowance for impairment loss	(7,196)	(6,719)
	5,074,829	4,610,695

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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 3 months	4,390,276	4,009,740
3 to 12 months	677,748	597,180
12 to 24 months	4,185	3,775
24 to 36 months	2,620	–
	5,074,829	4,610,695

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	3,195,941	3,465,918
3 to 6 months	2,018,172	2,007,257
Over 6 months	49,430	100,000
	5,263,543	5,573,175

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 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	3,845,133	4,733,415
Carrying amount of trade payables	(3,845,133)	(4,733,415)
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

For the six months ended 30 June 2023

19. PREPAYMENTS AND OTHER RECEIVABLES

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

	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Prepayments to suppliers	4,764,036	5,649,621
Prepayment to an associate	562,889	661,035
Value-added tax recoverable	2,225,419	2,968,063
Prepayment for capital injection to the partnership (note)	–	2,500,000
Other receivables	827,663	799,862
	8,380,007	12,578,581
Less: allowance for impairment loss	(38,053)	(27,020)
	8,341,954	12,551,561
Analysed as		
Current	8,341,954	10,051,561
Non-current	–	2,500,000
	8,341,954	12,551,561

Note: As at 31 December 2022, the Group has subscribed 48.92% interest in Binzhou Wenxian Huaxin Enterprise Management Partnership (Limited Partnership)* 濱州文賢華鑫企業管理合夥企業 (有限合夥). The subscription of the partnership was completed on 29 January 2023 and reclassified to other financial assets.

* The English translation is for reference only.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash and bank balances	29,776,735	27,384,542
Restricted bank deposits	1,850,630	1,720,058
	31,627,365	29,104,600
Less:		
Restricted bank deposits:		
– pledged for bills payables	(1,007,300)	(1,293,305)
– pledged for issuance of letter of credit	(366,148)	(349,210)
– pledged for guarantee issued	(477,182)	(77,543)
Cash and cash equivalents	29,776,735	27,384,542

21. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Changes in fair values arising from:		
– capped forward contract	–	2,456
– interest rate swap contract	–	4,049
– derivatives component of convertible bonds (note 27)	14,393	(353,348)
	14,393	(346,843)

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For the six months ended 30 June 2023

22. TRADE AND BILLS PAYABLES

	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	10,925,409	12,693,831
Bills payables	2,120,948	2,217,171
	13,046,357	14,911,002

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 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	9,450,699	11,980,729
6 to 12 months	1,168,921	443,244
1 to 2 years	213,456	235,369
More than 2 years	92,333	34,489
	10,925,409	12,693,831

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

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For the six months ended 30 June 2023

23. BANK BORROWINGS

	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current		
Secured bank borrowings	4,282,960	7,990,204
Unsecured bank borrowings	21,503,007	22,543,646
	25,785,967	30,533,850
Non-current		
Secured bank borrowings	5,188,374	842,748
Unsecured bank borrowings	5,378,794	4,151,161
	10,567,168	4,993,909
	36,353,135	35,527,759

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

	As at 30 June 2023	As at 31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	25,785,967	30,033,851
In the second year	6,695,630	2,574,570
In the third to fifth years, inclusive	3,871,538	940,000
Over fifth years	–	1,979,338
	36,353,135	35,527,759

Fixed-rate borrowings with an aggregate carrying amount of approximately RMB18,990,363,000 (31 December 2022: RMB25,178,310,000) denominated in RMB at interest rate ranged from 4.10% to 7.70% (31 December 2022: 1.53% to 5.67%) per annum as at 30 June 2023.

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 Secured Overnight Financing Rate.

Bank borrowings of approximately RMB4,837,140,000 (31 December 2022: RMB4,689,242,000) are guaranteed by related parties and set out in note 35(c).

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For the six months ended 30 June 2023

24. SHORT-TERM DEBENTURES AND NOTES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Short-term debentures and notes	6,000,000	3,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 30 June 2023 and 31 December 2022 are set out as follows:

Debentures	Date of issue	Principal amount		Interest rate	Date of maturity
		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)		
Short-term debentures C	22 July 2022	1,000,000	1,000,000	3.55%	22 July 2023
Short-term debentures D	19 August 2022	1,000,000	1,000,000	3.47%	19 August 2023
Short-term debentures E	23 September 2022	1,000,000	1,000,000	3.69%	23 September 2023
Short-term debentures F	16 February 2023	1,000,000	-	4.60%	16 February 2024
Short-term debentures G	10 March 2023	1,000,000	-	4.50%	10 March 2024
Short-term debentures H	24 May 2023	1,000,000	-	4.18%	24 May 2024

The short-term debentures and notes were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investors ("NAFMII"). Interest is payable annually.

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For the six months ended 30 June 2023

25. MEDIUM-TERM DEBENTURES AND BONDS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Medium-term debentures and bonds – due within one year	13,019,778	8,507,112
Medium-term debentures and bonds – due after one year	2,889,807	5,960,847
	15,909,585	14,467,959

The details of the unsecured, medium-term debentures and bonds issued and outstanding as at 30 June 2023 and 31 December 2022 are set out as follows:

Debentures	Date of issue	Principal amount		Coupon interest rate	Effective interest rate	Date of maturity
		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)			
Unlisted						
Medium-term debentures Q	14 January 2022	1,000,000	1,000,000	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	1,000,000	1,000,000	4.50%	4.80%	18 March 2024
Medium-term debentures S	30 March 2023	300,000	–	4.82%	4.82%	30 March 2025
Medium-term debentures T	13 April 2023	1,000,000	–	4.96%	4.82%	13 April 2025
Medium-term debentures U	16 June 2023	600,000	–	5.00%	4.82%	16 June 2025
Listed						
Enterprise bonds K	17 October 2016	5,521,045	5,521,045	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds M	11 June 2021	–	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	500,000	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	1,000,000	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	1,000,000	1,000,000	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	1,000,000	1,000,000	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	1,000,000	1,000,000	4.00%	4.12%	3 November 2027

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate.

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

Interest is payable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

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26. GUARANTEED NOTES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amounts shown under current liabilities	3,582,330	1,392,893
Amounts shown under non-current liabilities	–	3,450,755
	3,582,330	4,843,648

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 22 July 2022, the Company has redeemed the 2022 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

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 2 May 2023, the Company has redeemed the 2023 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

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.

The details of guaranteed notes should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

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27. 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 an original conversion price of HK\$8.16 per share (subject to adjustment as provided in the term of agreements) with fixed exchange rate of HK\$7.8212 equal to US\$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds (“2021 CBs”) bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US\$300,000,000. The 2021 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at an original conversion price of HK\$8.91 per share (subject to adjustment as provided in the term of agreements) 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.

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27. 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 2022 (Audited)	1,358,611	713,086	1,633,747	241,270	3,946,714
Conversion into shares of the Company (note 29)	(868,903)	(456,056)	–	–	(1,324,959)
Changes in fair values	–	31,289	–	322,059	353,348
Effective interest expenses	78,174	–	69,400	–	147,574
Interest paid	(15,158)	–	(44,102)	–	(59,260)
Exchange translation	50,127	26,264	85,430	20,668	182,489
As at 30 June 2022 (Unaudited)	602,851	314,583	1,744,475	583,997	3,245,906
As at 1 January 2023 (Audited)	–	–	1,830,527	457,010	2,287,537
Changes in fair values	–	–	–	(14,393)	(14,393)
Effective interest expenses	–	–	94,554	–	94,554
Interest paid	–	–	(54,813)	–	(54,813)
Exchange translation	–	–	91,117	22,428	113,545
As at 30 June 2023 (Unaudited)	–	–	1,961,385	465,045	2,426,430

During the six months ended 30 June 2022, 212,703,160 (six months ended 30 June 2023: nil) ordinary shares of the Company were issued as a result of the conversion of 2017 CBs with principal amount of US\$153,600,000 (six months ended 30 June 2023: nil). No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs during the six months ended 30 June 2023 and 2022.

On 31 May 2023, as a result of the Company's declaration of dividend, the conversion price of the 2021 CBs was adjusted to HK\$7.15 per share (31 December 2022: HK\$7.24). Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 30 June 2023, the principal amount of the 2021 CBs that remained outstanding amounted to US\$300,000,000 (31 December 2022: US\$300,000,000) of which a maximum of 304,836,173 (31 December 2022: 321,256,906) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the 2021 CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022, 21 November 2022 and 31 May 2023.

Notes to the Interim Condensed Consolidated Financial Information

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27. CONVERTIBLE BONDS (Continued)

At 30 June 2023 and 31 December 2022, the fair values of the derivatives component was valued by Asia-Pacific Consulting and 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 end of reporting period using the binomial option pricing model. The changes in fair value of the derivatives component of convertible bonds were recognised in profit or loss. The inputs into the model were as follows:

	2021 CBs	
	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Share price	HK\$6.36	HK\$7.37
Conversion price	HK\$7.15	HK\$7.24
Expected volatility	50.00%	42.46%
Expected life	2.57 years	3.07 years
Risk free rate	4.65%	4.21%
Expected dividend yield	7.40%	5.83%

28. FINANCIAL ASSET AT AMORTISED COST

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	Financial asset at amortised cost	
Collective investment trust A (note i)	–	2,499,000
Collective investment trust B (note ii)	2,494,000	–
	2,494,000	2,499,000

Note i: The collective investment trust A represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. (“CITIC Trust”) 中信信託有限責任公司 and will be matured on 3 January 2025. The asset income trust carries fixed interest rate of 5.78% per annum. During the six months ended 30 June 2023, CITIC Trust early terminated the collective investment trust A in full at their principal amount together with investment income accumulated to the termination date.

Note ii: The collective investment trust B represents asset income trust with 2,494,000,000 units at RMB1 per unit issued by CITIC Trust and will be matured on 13 January 2028. The asset income trust carries fixed interest rate of 5.78% per annum.

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29. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2023	31 December 2022	30 June 2023 US\$	31 December 2022 US\$
Authorised:				
Ordinary shares of US\$0.01 each	20,000,000,000	20,000,000,000	200,000,000	200,000,000

	Number of shares		Share Capital	
	30 June 2023 US\$	31 December 2022 US\$	30 June 2023 US\$	31 December 2022 US\$
Issued and fully paid:				
Ordinary shares of US\$0.01 each	9,475,538,425	9,475,538,425	94,755,384	94,755,384

	Number of shares		Share Capital	
			RMB'000	
Issued and fully paid:				
At 1 January 2022		9,121,352,349		595,139
Issue of shares upon conversion of 2017 CBs (<i>note (i)</i>)		212,703,160		13,786
At 30 June 2022		9,334,055,509		608,925
Issue of shares upon conversion of 2017 CBs (<i>note (ii)</i>)		141,482,916		9,956
At 31 December 2022 and 30 June 2023		9,475,538,425		618,881

Notes:

- (i) During the six months ended 30 June 2022, 2017 CBs with principal amounts of US\$55,000,000 and US\$98,600,000 was converted into 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK\$5.41 and HK\$5.79 per ordinary share, respectively.
- (ii) During the year ended 31 December 2022, 2017 CBs with principal amounts of US\$92,800,000 was converted into 141,482,916 ordinary shares of the Company at par at the conversion price of HK\$5.13 per ordinary share.

The Company does not have any share option scheme.

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

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

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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 from Shandong Innovation Carbon New Material Co., Ltd. * (“Innovation Carbon New Material”) 山東創新炭材料有限公司; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(b) Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the 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

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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 2023 and 31 December 2022. 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
		30/6/2023 RMB'000 (Unaudited)	31/12/2022 RMB'000 (Audited)	
Listed equity securities	Level 1	1,405,461	1,442,588	Quoted bid prices in an active market
Unlisted equity securities	Level 3	100,000	100,000	Market approach – Based on P/B multiples of listed entities in similar industry with consideration of marketability discount of 19.86% (31 December 2022: 23.84%) (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Limited partnerships	Level 3	5,000,000		– Adjusted asset-based approach – Based on adjusted net asset values with consideration of lack of control discount of 23.40% (31 December 2022: nil) (Key unobservable inputs: the higher lack of control discount, the lower the fair value)

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

31. FAIR VALUE DISCLOSURES (Continued)

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2023 RMB'000 (Unaudited)	31/12/2022 RMB'000 (Audited)	
Interest rate swap contract	Level 2	–	2,122	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates), discounted at a rate that reflects the credit risk of various counterparties
Conversion option derivative of convertible bonds	Level 3	465,045	457,010	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 50.00% (31 December 2022: 42.46%) (The higher the volatility, the higher the fair value)

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

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

31. FAIR VALUE DISCLOSURES (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:

	Limited partnerships RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity securities RMB'000
At 1 January 2023	–	457,010	100,000
Total losses			
– in profit or loss	–	(14,393)	–
Addition	5,000,000	–	–
Exchange difference	–	22,428	–
At 30 June 2023	5,000,000	465,045	100,000

The above total losses for the six months ended 30 June 2023 recognised in profit or loss of RMB14,393,000 are included in changes in fair value of financial instruments.

Fair value measurements and valuation process

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the interim condensed consolidated financial information approximate their fair value.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Restricted bank deposits (note 20)	1,850,630	1,720,058
Property, plant and equipment (note 11)	11,524,906	12,069,053
Right-of-use assets (note 12)	550,663	556,345

33. COMMITMENTS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment – Contracted for but not provided	4,645,803	3,545,775

34. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the six months ended 30 June 2022, the Group had the following change in its ownership interest in a subsidiary.

Acquisition of additional interest in a subsidiary

In April 2022, the Group acquired an additional 35% issued shares of Chongqing Weiqiao Financial Factoring Co., Ltd. * (“Chongqing Weiqiao Financial”) 重慶魏橋金融保理有限公司, increasing its ownership interest to 100%. Cash consideration of approximately RMB236,500,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao Financial was approximately RMB178,850,000. A schedule of the effect of acquisition of additional interest is as follow:

	RMB'000
Carrying amount of non-controlling interest acquired	178,850
Consideration paid for acquisition of additional interest in Chongqing Weiqiao Financial	(236,500)
Difference recognised in capital reserve within equity	(57,650)

* The English translation is for reference only

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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 2023, 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
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
Zouping Huineng Thermal Power Co., Ltd. (“Zouping Huineng”) 鄒平縣匯能熱電有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Xiangshang Clothing Culture Co., Ltd. (“Shandong Xiangshang”) 山東向尚服飾文化有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Weiqiao Jiajia Home Textile Co., Ltd. (“Weiqiao Jiajia”) 山東魏橋嘉嘉家紡有限公司 (note i)	Controlled by Weiqiao Chuangye

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

Name of party	Relationship
Shandong Anhao Medical Protective Products Technology Co., Ltd. (“Shandong Anhao Medical”) 山東安好醫療防護用品科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Weihai Weiqiao Energy Co., Ltd. (“Weihai Weiqiao Energy”) 威海魏橋能源有限公司 (note i)	Controlled by Weiqiao Chuangye
CITIC Trust	note ii
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
Winning Consortium Simandou Railway Pte. Ltd. (“WCSR”)	An associate of a subsidiary of the Company
Innovation Carbon New Material	An associate of a wholly-owned 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
Shandong Binhong Photovoltaic New Energy Co., Ltd. (“Shandong Binhong”) 山東濱宏光伏新能源有限公司 (note i)	An associate of a subsidiary of the Company

Notes:

- i. The English names of the above companies are for reference only.
- ii. Mr. Liu Xiaojun, the director of the Company, which appointed on 29 December 2022, is also the key management personnel of CITIC Trust.
- 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.

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For the six months ended 30 June 2023

35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of steam			
– Binzhou Industrial Park	(a)	7,206	5,458
– Ming Hong Textile	(a)	2,328	1,780
– Binzhou Investment	(a)	17,068	14,117
– Zhanhua Weiqiao Port Logistic	(a)	867	467
Sales of water			
– Zhanhua Weiqiao Port Logistic	(a)	55	63
Sales of electricity			
– Shandong Binhong	(a)	60	–
Sales of scraps material			
– Zouping Huineng	(a)	–	588
Purchase of right-of-use assets			
– Weiqiao Chuangye	(a)	(525,127)	(83,604)
Purchases of water			
– Jinsha Water Supply	(b)	(12,229)	(12,545)
– Weiqiao Chuangye	(b)	(23,285)	(17,726)
Industrial waste expenses			
– Beihai Solid Waste	(b)	(43,591)	(62,519)

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For the six months ended 30 June 2023

35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of collective investment trust			
– CITIC Trust	(b)	(2,494,000)	–
Investment income			
– CITIC Trust	(b)	70,805	–
Purchases of bauxite			
– GTS	(f)	(6,601,490)	(6,818,202)
– PT. Cita Mineral Investindo, Tbk.	(a)	–	(90,197)
Purchases of steam			
– Binneng Energy	(f)	(499,817)	–
– Weihai Weiqiao Energy	(a)	(2,212)	–
Purchase of electricity			
– Binneng Energy	(f)	(7,636,460)	(7,412,394)
– Weihai Weiqiao Energy	(a)	(28,445)	–
– Shandong Binhong	(a)	(4,292)	–
Purchase of anode carbon block			
– Innovation Carbon New Material	(f)	(914,363)	(1,135,065)
Purchase of accessories			
– Shandong Xiangshang	(a)	(350)	–
– Weiqiao Jiajia	(a)	(645)	–
– Shandong Anhao Medical	(a)	(161)	–

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Lease Payment			
– Weiqiao Chuangye	(a), (c)	(38,982)	(1,425)
– Harita Jayaraya	(e), (f)	(589)	(654)
– PT. Antar Sarana Rekasa	(d), (f)	(4,176)	(4,077)
Interest income from associates			
– Binneng Energy	(f)	60,333	56,918
– WCSR	(f)	53,623	1,607

Notes:

- (a) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14.76 of the Listing Rules.
- (b) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.
- (c) The Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye in 2018. The amount of lease payment made by the Group under the lease is approximately RMB237,000 per month. As at 30 June 2023, the carrying amount of such lease liabilities is approximately RMB39,711,000 (31 December 2022: RMB40,394,000).
The Group entered into a twenty-year lease in respect of land from Weiqiao Chuangye in 2023. The amount of lease payment made by the Group under the lease is approximately RMB37,560,000 per year and prepaid each year. As at 30 June 2023, the carrying amount of such lease liabilities is approximately RMB497,553,000 (31 December 2022: nil).
- (d) For the six months ended 30 June 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB720,000 per month. As at 30 June 2023, the carrying amount of such lease liabilities is RMB12,154,000 (31 December 2022: RMB14,935,000).
- (e) For the year ended 31 December 2021, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB103,000 per month. As at 30 June 2023 and 31 December 2022, the carrying amount of such lease liabilities is nil.
For the six months ended 30 June 2023, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB98,000 per month. As at 30 June 2023, the carrying amount of such lease liabilities is RMB1,780,000 (31 December 2022: nil).
- (f) The related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Loans to associates		
ABM	794,838	766,106
Binneng Energy	2,000,000	2,000,000
WCSR	1,083,870	1,044,690
Trade payables		
GTS	(1,341,073)	(2,171,252)
Innovation Carbon New Material	(183,381)	(286,458)
Jinsha Water Supply	(242)	(1,731)
Weiqiao Chuangye	(57,404)	(28,687)
PT. Cita Mineral Investindo, Tbk.	–	(39,585)
Shandong Xiangshang	(89)	–
Weiqiao Jiajia	(534)	–
Shandong Anhao Medical	(3,017)	–
Trade receivable		
Ming Hong Textile	69	127
Other payable		
Weiqiao Chuangye	–	(8,793)
Weiqiao Textile	–	(20,662)
Prepayments to an associate		
Binneng Energy	562,889	661,035
Financial assets at amortised cost		
CITIC Trust	2,494,000	–
Interest receivable		
WCSR	98,845	41,626

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For the six months ended 30 June 2023

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefit	5,350	3,219
Retirement benefits scheme contributions	62	59
	5,412	3,278

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by related parties were as follows:

	As at	As at
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Binneng Energy	1,400,000	1,400,000
Weiqiao Chuangye	3,437,140	3,289,242

36. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2023, the Group entered into new arrangement in respect of office premises and land use rights (six months ended 30 June 2022: vessels). Right-of-use assets and lease liabilities of approximately RMB600,010,000 (six months ended 30 June 2022: RMB22,790,000) were recognised at the commencement of the lease.