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

(根據開曼群島法例成立的有限公司)  
(股份代號：1378)

**ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

**RESULTS HIGHLIGHTS**

- Revenue decreased by approximately 6.7% to approximately RMB84,179,288,000 as compared with the previous year
- Gross profit increased by approximately 6.9% to approximately RMB16,464,253,000 as compared with the previous year
- Profit for the year increased by approximately 11.6% to approximately RMB6,455,143,000 as compared with the previous year
- Net profit attributable to shareholders of the Company increased by approximately 12.7% to approximately RMB6,095,335,000 as compared with the previous year
- Basic earnings per share increased by approximately 14.0% as compared with the previous year and were approximately RMB0.7087 per share
- Proposed final dividend of HK34.0 cents per share, representing an increase of approximately 41.7% as compared with the same period of last year

The board (“Board”) of directors (the “Directors”) of China Hongqiao Group Limited (the “Company” or “China Hongqiao”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2019 (the “Year” or the “Year under Review”).

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Revenue	4	<b>84,179,288</b>	90,194,924
Cost of sales		<u><b>(67,715,035)</b></u>	<u>(74,794,362)</u>
Gross profit		<b>16,464,253</b>	15,400,562
Other income and gains	6	<b>3,140,517</b>	2,135,396
Selling and distribution expenses		<b>(449,041)</b>	(371,206)
Administrative expenses		<b>(3,645,691)</b>	(3,867,211)
Other expenses	7	<b>(2,166,798)</b>	(706,916)
Finance costs		<b>(5,219,595)</b>	(4,433,389)
Changes in fair values of financial instruments		<b>138,077</b>	397,683
Share of profits of associates		<b>509,345</b>	429,545
Loss on disposal of a subsidiary	15	<u><b>–</b></u>	<u>(648,772)</u>
Profit before taxation		<b>8,771,067</b>	8,335,692
Income tax expenses	8	<u><b>(2,315,924)</b></u>	<u>(2,549,440)</u>
Profit for the year		<u><b>6,455,143</b></u>	<u>5,786,252</u>
Attributable to:			
Owners of the Company		<b>6,095,335</b>	5,407,422
Non-controlling interests		<u><b>359,808</b></u>	<u>378,830</u>
		<u><b>6,455,143</b></u>	<u>5,786,252</u>

	<i>Note</i>	<b>2019</b> <b>RMB'000</b>	2018 RMB'000
Other comprehensive income (expense) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translating foreign operations		<b>55,098</b>	147,321
Share of other comprehensive income of associates		<b>16,836</b>	75,295
		<u><b>71,934</b></u>	<u>222,616</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on equity instruments at fair value changes through other comprehensive income		<b>(618,831)</b>	(67,936)
Total comprehensive income for the year, net of income tax		<u><b>5,908,246</b></u>	<u>5,940,932</u>
Total comprehensive income for the year attributable to Owners of the Company		<b>5,525,864</b>	5,504,647
Non-controlling interests		<b>382,382</b>	436,285
		<u><b>5,908,246</b></u>	<u>5,940,932</u>
Earnings per share	<i>10</i>		
– Basic (RMB)		<u><b>0.7087</b></u>	<u>0.6218</u>
– Diluted (RMB)		<u><b>0.6979</b></u>	<u>0.5936</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2019*

	<i>Note</i>	<b>2019</b> <b>RMB'000</b>	2018 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>71,019,374</b>	76,361,390
Right-of-use assets		<b>5,152,415</b>	–
Intangible assets		<b>24,884</b>	22,673
Prepaid lease payments		–	4,915,054
Investment properties		–	143,606
Deposits paid for acquisition of property, plant and equipment		<b>513,617</b>	206,324
Deferred tax assets		<b>2,084,454</b>	1,865,927
Interests in associates		<b>4,723,329</b>	1,895,401
Loan to an associate		<b>2,000,000</b>	–
Goodwill		<b>608,818</b>	608,818
Financial asset at fair value through other comprehensive income		<b>289,339</b>	908,170
		<b>86,416,230</b>	86,927,363
<b>CURRENT ASSETS</b>			
Prepaid lease payments		–	132,414
Inventories		<b>21,846,922</b>	19,805,561
Trade receivables	<i>11</i>	<b>10,311,326</b>	6,750,578
Bills receivables		<b>11,139,775</b>	11,726,626
Prepayments and other receivables		<b>6,075,312</b>	4,747,463
Financial asset at fair value through profit or loss		<b>2,005</b>	–
Other financial asset		<b>819</b>	–
Restricted bank deposits		<b>1,423,967</b>	1,256,474
Cash and cash equivalents		<b>41,857,116</b>	45,380,413
		<b>92,657,242</b>	89,799,529
Non-current assets classified as held for sale		<b>530,973</b>	–
		<b>93,188,215</b>	89,799,529

	<i>Note</i>	<b>2019</b> <b>RMB'000</b>	2018 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>18,215,656</b>	16,661,437
Other payables and accruals		<b>13,379,843</b>	11,840,680
Bank borrowings – due within one year		<b>29,054,849</b>	18,933,735
Other borrowing – due within one year		<b>1,391,446</b>	–
Other financial liabilities		<b>3,300</b>	–
Lease liabilities		<b>28,874</b>	–
Income tax payable		<b>1,727,235</b>	1,460,994
Short-term debentures and notes		–	4,000,000
Medium-term debentures and bonds – due within one year		<b>1,495,784</b>	1,752,756
Guaranteed notes		–	3,078,664
Deferred income		<b>22,330</b>	19,450
		<u><b>65,319,317</b></u>	<u>57,747,716</u>
<b>NET CURRENT ASSETS</b>		<u><b>27,868,898</b></u>	<u>32,051,813</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>114,285,128</b></u>	<u>118,979,176</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year		<b>3,519,628</b>	11,263,803
Other borrowing – due after one year		–	1,366,569
Lease liabilities		<b>61,859</b>	–
Liability component of convertible bonds		<b>1,150,555</b>	1,012,052
Derivatives component of convertible bonds		<b>279,937</b>	415,195
Deferred tax liabilities		<b>721,545</b>	670,982
Medium-term debentures and bonds – due after one year		<b>38,529,229</b>	41,077,258
Guaranteed notes		<b>3,457,313</b>	–
Deferred income		<b>549,086</b>	553,820
		<u><b>48,269,152</b></u>	<u>56,359,679</u>
<b>NET ASSETS</b>		<u><b>66,015,976</b></u>	<u>62,619,497</u>

	<i>Note</i>	<b>2019</b> <b><i>RMB'000</i></b>	2018 <i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13</i>	<b>559,090</b>	566,172
Reserves		<b><u>62,605,028</u></b>	<u>59,399,189</u>
Equity attributable to owners of the Company		<b>63,164,118</b>	59,965,361
Non-controlling interests		<b><u>2,851,858</u></b>	<u>2,654,136</u>
<b>TOTAL EQUITY</b>		<b><u><u>66,015,976</u></u></b>	<u><u>62,619,497</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

### 1. CORPORATE INFORMATION

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

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the “Group”) are set out in the annual report.

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

### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### **Merger accounting for business combination involving entities under common control**

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

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

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

\* *The English translation is for reference only*

### 3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

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

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

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

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

#### 3.1 Impacts on adoption of IFRS 16 *Leases*

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

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

##### ***The Group as lessee***

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

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



## *The Group as lessor*

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

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

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

### *Notes:*

- (a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB54,564,000.
- (b) Prepaid lease payments of approximately RMB5,047,468,000 which represent the prepayment of rentals for land use rights in the PRC and Indonesia were adjusted to right-of-use assets.

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

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

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

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

***New and amendments to IFRSs issued but not yet effective***

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

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

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

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

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

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

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

## Amendments to IAS 1 and IAS 8 Definition of Material

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

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

### 4. REVENUE

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

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

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

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

	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<i>Sales channels</i>		
Direct sales	<b><u>84,179,288</u></b>	<u>90,194,924</u>

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

## 5. SEGMENT INFORMATION

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

### Geographic information

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

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

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

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

### Information about major customers

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

	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Customer A	<b><u>30,033,675</u></b>	<u>36,027,053</u>

## 6. OTHER INCOME AND GAINS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Bank interest income	122,338	113,424
Other interest income	176,144	72,405
Investment income	2,026	–
Loan receivables interest income	–	506,085
Interest income from an associate	62,000	–
Imputed interest on receivables arising from disposal of a subsidiary	57,926	58,716
Gain from sales of raw materials and scraps materials	430,739	247,614
Gain from sales of slag of carbon anode blocks	701,401	899,878
Gain on bargain purchase ( <i>note 14</i> )	3,282	–
Gain on disposal of property, plant and equipment	21,631	7,292
Gain on disposal of investment properties	379,542	–
Reversal of impairment of property, plant and equipment	968,480	–
Reversal of impairment of inventories	69,366	62,370
Reversal of impairment of trade receivables	–	9,047
Reversal of impairment of other receivables	13,335	–
Amortisation of deferred income	22,746	17,920
Value-added tax income	2,053	15,303
Rental income for investment properties under operating lease that lease payments are fixed	6,207	15,976
Others	101,301	109,366
	<u>3,140,517</u>	<u>2,135,396</u>

## 7. OTHER EXPENSES

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

## 8. INCOME TAX EXPENSES

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

## 9. DIVIDENDS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Dividends recognised as distribution during the year	<u><u>1,807,631</u></u>	<u><u>1,697,064</u></u>

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

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

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

## 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:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	6,095,335	5,407,422
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	210,102	193,010
Changes in fair values of derivatives component of convertible bonds	(140,558)	(397,683)
Exchange loss on translation of convertible bonds	20,456	112,322
	<u>6,185,335</u>	<u>5,315,071</u>
Earnings for the purpose of diluted earnings per share	<u>6,185,335</u>	<u>5,315,071</u>
	2019 <i>'000</i>	2018 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,600,287	8,696,856
Effect of dilutive potential ordinary shares:		
Convertible bonds	262,059	256,657
	<u>8,862,346</u>	<u>8,953,513</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>8,862,346</u>	<u>8,953,513</u>

## 11. TRADE RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables	10,318,327	6,757,303
Less: allowance for impairment losses	(7,001)	(6,725)
	<u>10,311,326</u>	<u>6,750,578</u>

At as 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to RMB10,318,327,000 (2018: RMB6,757,303,000).

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

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

	<b>2019</b> <b>RMB'000</b>	2018 <i>RMB'000</i>
Within 3 months	<b>8,561,127</b>	6,304,751
3-12 months	<b>1,748,274</b>	438,473
12-24 months	<b>1,925</b>	7,076
24-36 months	<b>–</b>	278
	<b>10,311,326</b>	<b>6,750,578</b>

## 12. TRADE AND BILLS PAYABLES

	<b>2019</b> <b>RMB'000</b>	2018 <i>RMB'000</i>
Trade payables to third parties	<b>15,820,689</b>	14,396,366
Trade payables to an associate	<b>203,267</b>	264,647
Trade payables to related parties	<b>52,858</b>	424
	<b>16,076,814</b>	14,661,437
Bills payable	<b>2,138,842</b>	2,000,000
	<b>18,215,656</b>	<b>16,661,437</b>

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

	<b>2019</b> <b>RMB'000</b>	2018 <i>RMB'000</i>
Within 6 months	<b>15,609,824</b>	14,333,933
6-12 months	<b>422,080</b>	279,933
1-2 years	<b>10,658</b>	7,330
More than 2 years	<b>34,252</b>	40,241
	<b>16,076,814</b>	<b>14,661,437</b>



### 13. SHARE CAPITAL

	Number of shares		Share Capital	
	2019	2018	2019 US\$	2018 US\$
<b>Authorised:</b>				
Ordinary shares of US\$0.01 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
	2019	2018	2019 US\$	2018 US\$

<b>Issued and fully paid:</b>				
Ordinary shares of US\$0.01 each	<u>8,570,852,349</u>	<u>8,675,394,849</u>	<u>85,708,523</u>	<u>86,753,948</u>

	Number of shares	Share Capital RMB'000
<b>Issued and fully paid:</b>		
At 1 January 2018	8,057,888,193	526,966
Issue of shares upon share subscription ( <i>note (a)</i> )	650,000,000	41,710
Issue of shares upon conversion of CBs ( <i>note (b)</i> )	70,544,156	4,495
Shares repurchased and cancelled	<u>(103,037,500)</u>	<u>(6,999)</u>
At 31 December 2018 and 1 January 2019	8,675,394,849	566,172
Shares repurchased and cancelled	<u>(104,542,500)</u>	<u>(7,082)</u>
At 31 December 2019	<u>8,570,852,349</u>	<u>559,090</u>

*Notes :*

- (a) On 23 January 2018, 650,000,000 ordinary shares of US\$0.01 each were issued and allotted at a price of HK\$9.6 per share, raising a total proceeds of approximately RMB5,060,159,000, net of share issue expense of approximately RMB60,822,000.
- (b) During the year ended 31 December 2018, CBs with principal amount US\$73,600,000 was converted into 70,544,156 ordinary shares of the Company at par at the conversion price of HK\$8.16 per ordinary share.

The Company does not have any share option scheme.

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

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

**For the year ended 31 December 2019**

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

For the year ended 31 December 2018

Date of repurchase	No. of ordinary share of US\$0.01 each	Price per share		Aggregate consideration paid HK\$	Share cancelled date
		Highest HK\$	Lowest HK\$		
25-Jun-18	1,660,000	6.90	6.66	11,311,000	11-Jul-18
26-Jun-18	2,690,500	7.11	6.60	18,605,000	11-Jul-18
27-Jun-18	2,054,000	7.15	6.83	14,276,000	11-Jul-18
28-Jun-18	3,968,000	7.30	6.87	27,948,000	11-Jul-18
29-Jun-18	2,988,000	7.40	7.10	21,987,000	11-Jul-18
3-Jul-18	2,330,000	7.50	6.99	17,084,000	16-Jul-18
4-Jul-18	3,705,000	7.45	7.23	27,298,000	16-Jul-18
5-Jul-18	3,570,000	7.40	7.12	26,125,000	16-Jul-18
6-Jul-18	2,496,000	7.60	7.32	18,796,000	16-Jul-18
9-Jul-18	1,920,000	7.72	7.56	14,750,000	24-Jul-18
10-Jul-18	1,594,000	7.84	7.67	12,355,000	24-Jul-18
11-Jul-18	1,870,000	7.75	7.59	14,381,000	24-Jul-18
12-Jul-18	5,138,500	7.70	7.55	39,090,000	24-Jul-18
13-Jul-18	6,923,500	8.00	7.65	54,354,000	24-Jul-18
31-Aug-18	1,000,000	6.65	6.57	6,618,000	17-Sep-18
3-Sep-18	622,500	6.65	6.60	4,133,000	17-Sep-18
4-Sep-18	168,000	6.70	6.65	1,124,000	17-Sep-18
5-Sep-18	1,793,000	6.82	6.79	12,198,000	17-Sep-18
6-Sep-18	2,482,500	6.85	6.80	16,987,000	17-Sep-18
7-Sep-18	3,622,000	6.87	6.83	24,846,000	17-Sep-18
10-Sep-18	6,390,000	6.87	6.75	43,849,000	24-Sep-18
11-Sep-18	9,952,000	6.80	6.74	67,557,000	24-Sep-18
12-Sep-18	10,500,000	6.80	6.72	71,164,000	24-Sep-18
13-Sep-18	4,000,000	6.88	6.79	27,424,000	24-Sep-18
14-Sep-18	19,600,000	6.10	5.75	115,318,000	24-Sep-18

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2018: nil).

#### 14. ACQUISITION OF SUBSIDIARIES

On 31 March 2019, the Group acquired 100% of the equity interest in Hongbo Aluminum Industry Technology Company Limited\* (“Hongbo Aluminum Industry”) 濱州鴻博鋁業科技有限公司, from Boxing Xian Ruifeng Aluminum Plate Company Limited\* 博興縣瑞豐鋁板有限公司, an independent third party, for a consideration of approximately RMB147,666,000. Approximately RMB92,166,000 of the consideration has been paid during current year. The remaining balance of RMB55,500,000 will be settled on 30 June 2020. This acquisition has been accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB3,282,000. Hongbo Aluminum Industry is engaged in the manufacture and sales of aluminum fabrication. Hongbo Aluminum Industry was acquired so as to continue the expansion of the Group’s aluminum products operations.

##### Consideration of the acquisition:

	<i>RMB'000</i>
Cash consideration	147,666
Less: cash consideration paid	<u>(92,166)</u>
Consideration payable (included in other payables)	<u><u>55,500</u></u>

##### Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Property, plant and equipment	421,600
Intangible assets	6
Inventories	245,658
Trade receivables	132,241
Bill receivables	7,715
Prepayments and other receivables	99,661
Cash and cash equivalents	8,766
Trade payables	(328,862)
Other payables and accruals	(435,745)
Income tax payable	<u>(92)</u>
	<u><u>150,948</u></u>

Acquisition-related costs amounting to RMB240,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

**Gain on bargain purchase:***RMB'000*

Consideration of the acquisition	147,666
Less: net assets acquired	<u>(150,948)</u>
Gain on bargain purchase	<u><u>3,282</u></u>

**Net cash outflow arising on acquisition:***RMB'000*

Cash consideration	147,666
Less: cash and cash equivalent acquired	(8,766)
consideration payable	<u>(55,500)</u>
Net cash outflow on acquisition	<u><u>83,400</u></u>

\* *The English translation is for reference only*

**15. DISPOSAL OF A SUBSIDIARY**

On 30 June 2018, Zhanhua Huihong, an indirect wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Binzhoushi Zhanhuaqu Maohong New Material Company Limited\* (“Zhanhuaqu Maohong New Material”) 濱州市沾化區茂宏新材料有限公司, a company directly wholly-owned by Zhanhua Huihong, to an independent third party at a cash consideration of RMB2,950,000,000. RMB1,475,000,000 of the consideration was received during the year ended 31 December 2018. The remaining balances of RMB590,000,000 and RMB885,000,000 were settled on 30 June 2019 and 31 December 2019 respectively. The fair value of the consideration is assessed at net present value and discounted by weighted averaged borrowing costs of the Group.

**Analysis of assets and liabilities over which control was lost:***RMB'000*

Property, plant and equipment	3,182,302
Other receivables	298,828
Cash and cash equivalents	<u>1,000</u>
Net assets disposed of	<u><u>3,482,130</u></u>

**Loss on disposal of a subsidiary**

	<i>RMB'000</i>
Consideration received and receivable	2,833,358
Net assets disposed of	<u>(3,482,130)</u>
Loss on disposal of a subsidiary	<u><u>(648,772)</u></u>

**Consideration of the disposal**

	<i>RMB'000</i>
Consideration of the disposal	2,833,358
Imputed interest on unsettled consideration	116,642
Less: cash consideration received	<u>(2,950,000)</u>
	<u><u>—</u></u>

**Net cash inflow arising on disposal**

	As at 31 December 2018 <i>RMB'000</i>
Cash consideration received	1,475,000
Less: cash and cash equivalents disposed of	<u>(1,000)</u>
	<u><u>1,474,000</u></u>

\* *The English translation is for reference only*

**16. EVENT AFTER REPORTING PERIOD**

Subsequent to the end of the reporting period, Zouping County Hongxu Thermal Power Co., Ltd\* 鄒平縣宏旭熱電有限公司 entered into a sales and purchase agreement with an independent third party conditionally agreed to dispose a power units and its related assets and liabilities located in Zouping, at a cash consideration of RMB3,000,000,000. Details of the disposal are set out in the Company's announcement dated 18 March 2020.

\* *The English translation is for reference only*

## CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board of China Hongqiao the audited consolidated annual results of the Group for the year ended 31 December 2019.

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

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

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

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

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

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

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

**Mr. Zhang Bo**  
*Chairman of the Board*

20 March 2020



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

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

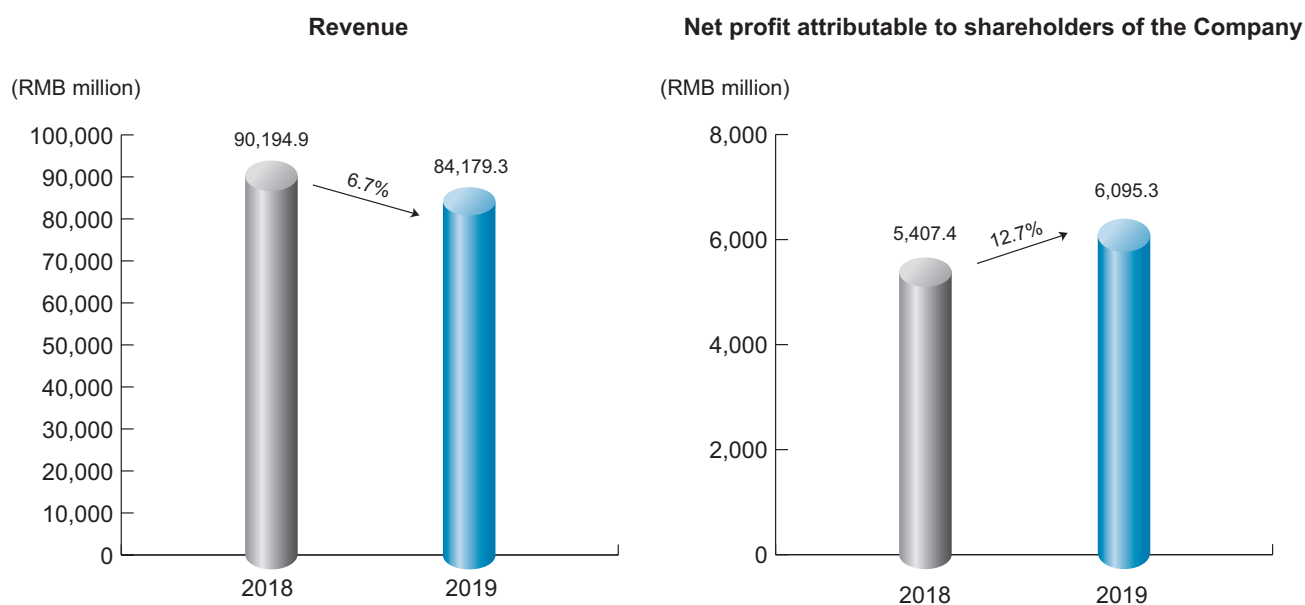
In 2019, China's electrolytic aluminum industry was affected by force majeure factors such as production and operation pressures, production accidents, natural disasters, etc., which resulted in large-scale production reduction and a decrease in global primary aluminum production. In 2019, global primary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

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

## BUSINESS REVIEW

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

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



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

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

## FINANCIAL REVIEW

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

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

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

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

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

### **Distribution and selling expenses**

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

### **Administrative expenses**

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

### **Finance costs**

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

### **Liquidity and capital resources**

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

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

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

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

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

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

### **Contingent liability**

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

### **Income tax**

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

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

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

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

## **Capital structure**

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

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

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

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

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



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

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

### **Employee and remuneration policy**

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

### **Foreign exchange risk**

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

### **FUTURE PROSPECTS**

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

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

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



## **SUPPLEMENTARY INFORMATION**

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as approved by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and as permitted under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the Year and up to the date of this announcement.

### **PRE-EMPTIVE RIGHTS**

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

### **THE BOARD**

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

#### **Executive Directors**

Mr. ZHANG Bo (*Chairman, Chief Executive Officer*)

Ms. ZHENG Shuliang (*Vice Chairman*)

Ms. ZHANG Ruilian (*Vice President, Chief Financial Officer*)

#### **Non-executive Directors**

Mr. YANG Congsen

Mr. ZHANG Jinglei

Mr. CHEN Yisong (Mr. ZHANG Hao as his alternate)

#### **Independent Non-executive Directors**

Mr. XING Jian

Mr. HAN Benwen

Mr. DONG Xinyi

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

## **DIRECTORS' SERVICE CONTRACTS**

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

## **EMOLUMENTS OF DIRECTORS**

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance. None of the Directors waived or agreed to waive any emoluments during the Year.

## **MANAGEMENT CONTRACTS**

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

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

As at 31 December 2019, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to section 352 of the SFO, to be entered in the register referred to therein; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules:

## Long positions in the shares of the Company

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

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

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

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

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

*Notes:*

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

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

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

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## **FINAL DIVIDEND**

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

## **CLOSURE OF REGISTER OF MEMBERS**

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

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

## **AUDIT COMMITTEE**

The Company has established the audit committee (the "Audit Committee") in compliance with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. The Audit Committee meeting was held on 20 March 2020 to review the annual results and the consolidated financial statements of the Group for the year ended 31 December 2019. The Audit Committee considered that the financial results of the Group for the year ended 31 December 2019 were in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

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

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

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

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

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



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

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

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

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

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

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



## CORPORATE BONDS OF SHANDONG HONGQIAO

- (1) On 12 September 2013, the Company’s subsidiary, Shandong Hongqiao New Material Co., Ltd. (“Shandong Hongqiao”), obtained the “Approval for the Issue of 2013 Corporate Bonds by Shandong Hongqiao New Material Co., Ltd. (Fa Gai Cai Jin [2013] No. 1654)” (《關於山東宏橋新型材料有限公司發行2013年公司債券核准的批覆》) from the National Development and Reform Commission of the PRC, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB2,300,000,000 in the PRC.
  - (i) On 3 March 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (first tranche), with an offering size of RMB1,200,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back at the end of the fifth year), carrying an interest of 8.69% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 12 February 2019 to 18 February 2019, the sale-back amount of the bond holders is RMB50,040,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,149,960,000, and the coupon rate is still 8.69%.
  - (ii) On 21 August 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (second tranche), with an offering size of RMB1,100,000,000, for a term of 3+2+2 years (7-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back at the end of the third and fifth year), carrying interest of 7.45% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 1 August 2017 to 7 August 2017, the sale-back amount of the bond holders is RMB743,638,000. On 1 August 2017, Shandong Hongqiao resold the repurchased bonds above, for a resold amount of RMB700,000,000. After the completion of the resold, the remaining amount of the bonds is RMB1,056,362,000 and the coupon rate is still 7.45%. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 31 July 2019 to 6 August 2019, the sale-back amount of the bond holders is RMB427,471,000. On 21 August 2019, Shandong Hongqiao resold the repurchased bonds above, for a resold amount of RMB427,471,000. After the completion of the resold, the remaining amount of the bonds is RMB1,056,362,000 and the coupon rate is still 7.45%.
- (2) On 11 January 2016, Shandong Hongqiao obtained the “No-objection Letter to the Listing and Transfer of Corporate Bonds Issued by Shandong Hongqiao New Material Co., Ltd. by Non-public Issuance (Shang Zheng Han [2016] No. 42)” (《關於對山東宏橋新型材料有限公司非公開發行公司債券掛牌轉讓無異議的函》) from the Shanghai Stock Exchange, approving Shandong Hongqiao to issue the corporate bonds by non-public issuance of not more than RMB6,000,000,000 in the PRC.

- (i) On 2 June 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (first tranche), with an offering size of RMB3,000,000,000, for a term of 2+1 years (3-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the second year), carrying interest of 6.05% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 7 May 2018 to 11 May 2018, the sale-back amount of the bond holders is RMB1,242,000,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,758,000,000, and the coupon rate increases to 6.95%. The bonds matured on 2 June 2019 and Shandong Hongqiao has redeemed the bonds in full based on its remaining aggregate principal amount and the interest accrued to the maturity date.
- (ii) On 15 July 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB3,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 6.48% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 17 June 2019 to 21 June 2019, the sale-back amount of the bond holders is RMB2,974,000,000. After the completion of the sale-back, the remaining amount of the bonds is RMB26,000,000 and the coupon rate increases to 6.80%.
- (3) On 25 November 2015, Shandong Hongqiao obtained the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Hongqiao New Material Co., Ltd. (Zheng Jian Xu Ke [2015]) No. 2732)" (《關於核准山東宏橋新型材料有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB6,000,000,000 in the PRC.
- (i) On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche) (type 1), with an offering size of RMB2,000,000,000 for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.10% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 30 November 2018 to 4 December 2018, the sale-back amount of the bond holders is RMB50,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,999,950,000, and the coupon rate increases to 7.30%.
- (ii) On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche) (type 2), with an offering size of RMB1,000,000,000, for a term of 5 years, carrying an interest of 4.88% per annum.

- (iii) On 27 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB1,800,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.50% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 14 December 2018 to 18 December 2018, the sale-back amount of the bond holders is RMB0. After the completion of the sale-back, the remaining amount of the bonds is RMB1,800,000,000, and the coupon rate increases to 7.00%.
- (iv) On 24 February 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (third tranche), with an offering size of RMB1,200,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.04% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 8 January 2019 to 10 January 2019, the sale-back amount of the bond holders is RMB1,760,000. After the completion of the sale-back, the remaining amount of the bonds is RMB1,198,240,000, and the coupon rate increases to 6.70%.

## **CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER**

- (1) On 8 October 2015, the Company's subsidiary, Shandong Weiqiao Aluminum & Power Co., Ltd. ("Weiqiao Aluminum & Power") received the "Approval for the Issue of Corporate Bonds by Shandong Weiqiao Aluminum & Power Co., Ltd. (Fa Gai Cai Jin [2015] No. 2249)" (《關於山東魏橋鋁電有限公司發行公司債券核准的批覆》) from the National Development and Reform Commission of the PRC approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB1,000,000,000 in the PRC.
- (i) On 26 October 2015, Weiqiao Alumina & Power completed the issuance of 2015 corporate bonds in the PRC, with an offering size of RMB1,000,000,000, for a term of 4+3 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fourth year), carrying interest of 5.26% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 30 September 2019 to 11 October 2019, the sale-back amount of the bond holders is RMB999,786,000. After the completion of the sale-back, the remaining amount of the bonds is RMB214,000 and the coupon rate increases to 6.26%.

- (2) On 14 January 2016, Weiqiao Alumina & Power received the “Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016]) No. 102)” (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB6,000,000,000 in the PRC.
- (i) On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche) (type 1), with an offering size of RMB3,500,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back at the end of the third year), carrying interest of 4.27% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 21 January 2019 to 25 January 2019, the sale-back amount of the bond holders is RMB0. After the completion of the sale-back, the remaining amount of the bonds is RMB3,500,000,000, and the coupon rate increases to 6.50%.
- (ii) On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche) (type 2), with an offering size of RMB500,000,000, for a term of 5 years, carrying an interest of 4.83% per annum.
- (iii) On 22 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB2,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back at the end of the third year), carrying interest of 4.20% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus, during the sale-back period from 1 February 2019 to 14 February 2019, the sale-back amount of the bond holders is RMB0. After the completion of the sale-back, the remaining amount of the bonds is RMB2,000,000,000, and the coupon rate increases to 6.30%.
- (3) On 17 August 2016, Weiqiao Alumina & Power received the “Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016]) No. 1872)” (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB7,800,000,000 in the PRC.
- (i) On 17 October 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (third tranche), with an offering size of RMB7,800,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back at the end of the fifth year), carrying interest of 4.00% per annum.

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

(i) On 27 March 2019, Weiqiao Alumina & Power completed the issuance of 2019 domestic corporate bonds (first tranche), with an offering size of RMB2,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back at the end of the third year), carrying interest of 6.00% per annum.

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

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

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

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

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

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



## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

## **COMPLIANCE WITH PROVISIONS OF THE CG CODE**

The Company has applied the principles as set out in the CG Code. For the year ended 31 December 2019, the Company has complied with the code provisions of the CG Code, except for the following deviation:

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

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

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

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.hongqiaochina.com](http://www.hongqiaochina.com). The annual report will be dispatched to shareholders on or before 20 April 2020 and will be available on the Company's website and the website of the Stock Exchange at the same time.

## ACKNOWLEDGEMENT

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

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

Shandong, the People's Republic of China  
20 March 2020

*As at the date of this announcement, the Board comprises nine Directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang and Ms. Zhang Ruilian as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei and Mr. Chen Yisong (Mr. Zhang Hao as his alternate) as non-executive Directors, and Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive Directors.*