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

(incorporated under the laws of Cayman Islands with limited liability)

(Stock Code: 1378)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

RESULTS HIGHLIGHTS

- Revenue increased significantly by approximately 61.4% to approximately RMB11,335 million as compared with the corresponding period of the previous year
- Gross profit increased by approximately 48.0% to approximately RMB4,049 million as compared with the corresponding period of the previous year
- Net profit attributable to shareholders of the Company increased by approximately 44.0% to approximately RMB2,906 million as compared with the corresponding period of the previous year
- As at 30 June 2011, the Group's total designed annual production capacity for aluminum products reached approximately 1,480,000 tons
- In terms of designed annual production capacity as of 30 June 2011, the Group was the fourth largest aluminum product manufacturer in China

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Continuing operations			
Revenue	3	**11,335,320**	7,024,340
Cost of sales		**(7,286,230)**	(4,289,726)
Gross profit		**4,049,090**	2,734,614
Other income and gain and loss	4	**138,988**	98,017
Distribution and selling expenses		**(16,018)**	(11,991)
Administrative expenses		**(82,897)**	(49,890)
Finance costs	5	**(133,364)**	(69,965)
Other expenses	7	**(15,842)**	(19,374)
Profit before taxation	7	**3,939,957**	2,681,411
Income tax expense	6	**(1,033,896)**	(670,156)
Profit for the period from continuing operations		**2,906,061**	2,011,255
Discontinued operations			
Profit for the period from discontinued operations	10	**–**	31,515
		2,906,061	2,042,770
Profit and total comprehensive income attributable to			
Owners of the Company		**2,906,061**	2,018,277
Non-controlling interests		**–**	24,493
		2,906,061	2,042,770
Earnings per share			
From continuing and discontinued operations			
Basic (RMB)	9	**0.53**	0.40
From continuing operations			
Basic (RMB)	9	**0.53**	0.40
From discontinuing operations			
Basic (RMB)	9	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	11	**12,046,228**	8,111,661
Deferred tax assets		**44,209**	40,231
Prepaid lease payments – non-current portion	12	**306,197**	153,129
Deposits paid for acquisition of property, plant and equipment		**50,259**	120,314
		12,446,893	8,425,335
Current Assets			
Inventories		**1,486,782**	1,122,100
Trade receivables	13	**4,531**	3,716
Bills receivables	14	**1,128,194**	882,570
Prepayments and other receivables		**175,519**	156,741
Prepaid lease payments – current portion	12	**6,514**	3,015
Restricted bank deposits		**791**	82,650
Bank balances and cash		**7,574,589**	2,669,569
		10,376,920	4,920,361
Current Liabilities			
Trade payables	15	**1,362,128**	1,045,906
Other payables		**1,100,977**	805,425
Amounts due to related parties		**8,899**	–
Income tax payable		**218,531**	157,974
Bank borrowings – due within one year	16	**775,000**	72,850
		3,465,535	2,082,155
Net current assets		**6,911,385**	2,838,206
Total assets less current liabilities		**19,358,278**	11,263,541
Capital and Reserves			
Share capital	17	**386,206**	69
Share premium and reserves		**15,041,479**	7,302,472
Equity attributable to owners of the Company		**15,427,685**	7,302,541
Total Equity		**15,427,685**	7,302,541
Non-current liabilities			
Bank borrowings – due after one year	16	**3,886,000**	3,961,000
Deferred tax liabilities		**44,593**	–
		3,930,593	3,961,000
		19,358,278	11,263,541

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company							
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Equity reserve** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Retained Profits** *RMB'000*	**Subtotal** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2011 (audited)	**69**	**–**	**793,349**	**1,028,660**	**5,480,463**	**7,302,541**	**–**	**7,302,541**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**2,906,061**	**2,906,061**	**–**	**2,906,061**
Capitalisation of share premium	**328,059**	**(328,059)**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares	**58,078**	**5,306,954**	**–**	**–**	**–**	**5,365,032**	**–**	**5,365,032**
Transaction costs attributable to issue of shares	**–**	**(145,949)**	**–**	**–**	**–**	**(145,949)**	**–**	**(145,949)**
At 30 June 2011 (unaudited)	**386,206**	**4,832,946**	**793,349**	**1,028,660**	**8,386,524**	**15,427,685**	**–**	**15,427,685**
At 1 January 2010 (audited)	114,398	–	–	597,792	2,372,351	3,084,541	62,950	3,147,491
Profit and total comprehensive income for the period	–	–	–	–	2,018,277	2,018,277	24,493	2,042,770
Issue of shares	1	–	–	–	–	1	–	1
Capitalisation of retained earnings	656,758	–	–	–	(656,758)	–	–	–
Reorganisation *(Note 17 (b))*	(771,088)	–	771,088	–	–	–	–	–
Acquisition of additional interests in a subsidiary	–	–	22,261	–	–	22,261	(87,443)	(65,182)
At 30 June 2010 (unaudited)	69	–	793,349	597,792	3,733,870	5,125,080	–	5,125,080

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash generated from operating activities	**3,307,218**	1,660,436
Purchases of property, plant and equipment	**(4,039,677)**	(1,915,580)
Addition to prepaid lease payments	**(159,922)**	(51,593)
Acquisition of a subsidiary *(Note 18)*	**–**	(176,013)
Interest received	**7,681**	4,425
Disposal of a subsidiary *(Note 19)*	**–**	514,188
Decrease in restricted bank deposits	**81,859**	671,348
Net cash used in investing activities	**(4,110,059)**	(953,225)
Proceeds from issue of shares	**5,365,032**	–
Shares issue expenses paid	**(140,360)**	–
New bank borrowings raised	**700,000**	4,212,000
New other borrowings raised	**–**	71,831
Interest paid	**(143,961)**	(69,965)
Acquisition of additional interests in a subsidiary	**–**	(65,182)
Issue of shares	**–**	1
Repayments of borrowings	**(72,850)**	(844,492)
Advance from related parties	**–**	5,653,374
Repayment to related parties	**–**	(9,155,048)
Net cash from financing activities	**5,707,861**	(197,481)
Net increase in cash and cash equivalents	**4,905,020**	509,730
Cash and cash equivalents at 1 January	**2,669,569**	528,945
Cash and cash equivalents at 30 June, represented by bank balances and cash	**7,574,589**	1,038,675

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 9 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 24 March 2011. Its parent and ultimate holding company is China Hongqiao Holdings Limited ("Hongqiao Holding"), a company incorporated in the British Virgin Island ("BVI"). The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands, and its principal place of business is located at Huixian One Road, Zouping Economic Development District, Zouping County, Shandong Province, the People's Republic of China ("PRC"). The Company is an investment holding company.

The Company's subsidiaries are principally engaged in the business of manufacture and sales of aluminum products.

The condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "listing Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below:

In the current interim period, the Group has applied, for the first time, the following new or Revised Standards and Interpretations ("new or revised IFRSs") issued by the International Accounting Standards Board ("IASB"):

Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009) *Related Party Disclosures*
Amendments to IAS 32 *Classification of Right Issues*
Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

The application of the above new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards that have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013

In June 2011, a number of new or revised standards on consolidation, joint arrangements and disclosures, including IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS12 "Disclosures of Interests in Other Entities", IAS 27 "Separate Financial Statements (as revised in 2011)" and IAS 28 "Investments in Associates and Joint Ventures (as revised in 2011)" have been issued.

These five new or revised standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these five new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013 and the potential impact is described below.

IFRS 10 replaces part of IAS 27 "Consolidated and Separate Financial Statements" that deals with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires a lot of judgement.

IFRS 11 replaces IAS 31" Interests in Joint Ventures". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in IFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under IAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. The classification as to whether a joint arrangement is treated as a jointly controlled entity depends on the existence of a separate vehicle.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in IFRS 12 are more extensive than those in the current standards. Significant effort may be required to collect the necessary information.

IAS 27 revised deals with how to prepare separate financial statements of an investor and what disclosures should be made in the separate financial statements.

IAS 28 revised covers the requirement for application of equity method of accounting to interests in associates and joint ventures.

The directors of the Company anticipate that the application of the new and revised Standards will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, the Group's chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to executive directors of the Company for the purpose of resource allocation and assessment of performance, includes only revenue analysis by products and does not contain profit information of each product line and the executive directors reviewed the gross profit of the Group as a whole reported under relevant accounting regulations of the People's Republic of China which has no significant differences as compared with gross profit reported under IFRS. It was determined that the Group has only one single reportable segment, being the manufacture and sales of aluminum products.

The Group's revenue from continuing operations represents the amount received and receivable for sale of aluminum products and steam supply.

An analysis of the Group's revenue from continuing operations is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue from sales of goods		
Aluminum products		
– molten aluminum alloy	**8,447,972**	5,292,427
– aluminum alloy ingots	**2,506,330**	1,314,015
– aluminum busbars	**32,822**	66,786
Steam supply income	**348,196**	351,112
	11,335,320	7,024,340

4. OTHER INCOME AND GAIN AND LOSS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
Interest income	**7,681**	4,425
Net gain on sales of raw materials *(note)*	**20,324**	6,097
Revenue from sales of slag of carbon anode blocks	**126,371**	67,260
Rental income	**–**	27
Foreign exchange losses, net	**(27,969)**	(1,990)
Others	**12,581**	22,198
	138,988	98,017

Note:

The revenues and expenses resulting in the net gain on sales of raw materials are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue from sales of raw materials		
– other materials and accessories	**24,036**	6,997
Expenses related to sales of raw materials	**(3,712)**	(900)
	20,324	6,097

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
Interest expenses on bank borrowings		
– wholly repayable within five years	**143,961**	69,965
Less: amount capitalised	**(10,597)**	–
Total	**133,364**	69,965

Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 6.51% (Six months ended 30 June 2010: Nil) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
The charge comprises:		
Current tax		
Enterprise income tax in mainland China	**993,281**	688,432
Under provision in prior years	**–**	625
Deferred tax	**40,615**	(18,901)
	1,033,896	670,156

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

Under the Law of People's Republic of China on Enterprise Income Tax ("the EIT Law") and implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

In addition, the EIT Law provides that qualified dividend income between two "PRC-resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% withholding tax under the tax treaty or the domestic law.

The Company and its subsidiaries incorporated in BVI and Hong Kong had no assessable profits since their incorporation.

7. PROFIT BEFORE TAXATION

Profit before taxation for continuing operation has been arrived at after charging:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**384,976**	284,753
Cost of inventories recognised as an expense	**7,234,575**	4,246,829
Amortisation of prepaid lease payments	**3,355**	444
Other expenses *(Note)*	**15,842**	19,374

Note: Other expenses mainly included listing expenses.

8. DIVIDENDS

No dividends were declared or paid during both periods.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
Earnings	***RMB'000***	*RMB'000*
Profit for the period from continuing and discontinued operations attributable to owners of the Company	**2,906,061**	2,018,277
Profit for the period from continuing operation attributable to owners of the Company	**2,906,061**	1,987,392
Profit for the period from discontinued operations attributable to owners of the Company	**–**	30,885

	Six months ended 30 June	
	2011	2010
	'000 shares	*'000 shares*
Weighted average number of shares	**5,476,917**	5,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the basis that the ordinary shares of the Company issued upon the Group's reorganisation have been in issue on 1 January 2010 and 4,999,000,000 ordinary shares issued pursuant to the capitalisation issue completed on 24 March 2011 as disclosed in Note 17 have been adjusted retrospectively.

No diluted earnings per share is presented as the Company did not have potential ordinary shares outstanding during the period.

10. DISCONTINUED OPERATIONS

The business of manufacture and sales of dyed fabric and yarn-dyed denim ("Dyeing Business"), manufacture and sales of caustic soda products ("Marine Chemical Business") are discontinued and their results are presented as discontinued operations in the condensed consolidated financial statements:

(a) On 28 December 2009, the Company's subsidiary, Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") entered into a share transfer framework agreement with 山東慧濱棉紡漂染有限公司 ("Huibin Dyeing", a company controlled by Zhang Shiping ("Mr. Zhang")), 濱州海洋化工有限公司 ("Marine Chemical"), Profit Long Investment Limited ("Profit Long Investment") and Chuangye Group, to dispose of the entire equity interest of Marine Chemical to Huibin Dyeing. In accordance with the agreement, the power to govern the financial and operating activities of Marine Chemical was passed to Huibin Dyeing by Shandong Hongqiao from 1 January 2010 and the Group has since ceased its control over Marine Chemical and the share transfer agreement was signed subsequently on 25 February 2010 after Profit Long Investment completed its acquisition of the 100% equity interest of Huibin Dyeing, a condition precedent to completion of the transaction. Pursuant to the confirmation letter signed by Shandong Hongqiao, Huibin Dyeing, Marine Chemical, Profit Long Investment and Chuangye Group dated 1 January 2010, all the rights and obligations pertinent to the entire equity interest in Marine Chemical have been assumed by Huibin Dyeing. The Group has recorded a gain of RMB6,620,000 on the sale of Marine Chemical in the six months ended 30 June 2010.

Marine Chemical commenced its operation from May 2009.

(b) The Company's subsidiary, Shandong Hongqiao, disposed of its Dyeing Business, effective 4 January 2010 to Chuangye Group by exchanging of the assets and liabilities attributable to the Dyeing Business with a then fair value of approximately RMB35,420,000 and a cash consideration of approximately RMB1,154,277,000 to be paid by Shandong Hongqiao, for all the property, plant and equipment attributable to the aluminum business of Chuangye Group (excluding the land on which such production lines were located as the acquisition of such leasehold land is effected through separate land purchase agreements as detailed in Note 21(b)) with a then fair value of RMB1,189,697,000, which resulted a gain of RMB24,895,000 in the six months ended 30 June 2010 on disposal of Dyeing Business. The transaction is accounted for as exchange of assets.

The results of the above discontinued operations for the period is analysed as follows:

	Six months ended 30 June 2010		
	Dyeing business *RMB'000*	Marine chemical business *RMB'000*	Total *RMB'000*
Gain on disposal of:			
Dyeing Business	24,895	–	24,895
Marine Chemical Business	–	6,620	6,620
Profit for the year from discontinued operations	24,895	6,620	31,515
Profit for the year attributable to			
Owners of the Company	24,397	6,488	30,885
Non-controlling interests	498	132	630
	24,895	6,620	31,515

11. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2011, the Group purchased property, plant and equipment approximately RMB79,632,000 and spent approximately RMB4,239,911,000 on the construction of its new product lines and power plant.

During the period ended 30 June 2010, the Group purchased property, plant and equipment approximately RMB1,272,396,000, spent approximately RMB697,512,000 on the construction of its new product lines, acquired property, plant and equipment approximately RMB180,094,000 upon acquisition of subsidiary and disposed property, plant and equipment of approximately RMB114,970,000 to 山東魏橋創業集團有限公司 ("Chuangye Group") (see Note 21(a) for its relationship with the Group).

12. PREPAID LEASE PAYMENTS

The prepaid lease payments represent land use rights with the lease terms of 44 to 50 years in Mainland China, during the period, the Group acquired two land use rights for approximately RMB159,922,000 (Six months ended 30 June 2010: Nil).

13. TRADE RECEIVABLES

The Group has a policy of allowing credit period of no more than 90 days to its trade customers with trading history, or otherwise sales on cash terms are required.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date is as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0 – 90 days	**4,531**	3,716

14. BILLS RECEIVABLE

The Group continues to recognise the full carrying amount of the discounted or endorsed bills receivable with recourse as the Group remains exposed to the credit risk of ownership pertinent to such bills receivable.

The aged analysis of bills receivable presented based on the issue date at the reporting date is as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0 – 90 days	**594,105**	344,020
91 – 180 days	**534,089**	538,550
	1,128,194	882,570

At 30 June 2011, bills receivable of approximately RMB1,086,533,000 (At 31 December 2010: RMB869,234,000) were endorsed with recourse to third parties and corresponding trade payables of RMB1,086,533,000 (At 31 December 2010: RMB869,234,000) were included in the condensed consolidated statement of financial position accordingly.

15. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases of goods is between 30 days and 180 days.

The aged analysis of trade payables presented based on the invoice date at the reporting date is as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
0 – 180 days	**1,351,634**	1,035,456
181 – 365 days	**3,355**	4,049
1 – 2 years	**5,800**	5,060
Over 2 years	**1,339**	1,341
	1,362,128	1,045,906

16. BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately RMB700,000,000 (Six months ended 30 June 2010: RMB4,212,000,000) and repaid bank loans amounting to RMB72,850,000 (Six months ended 30 June 2010: RMB844,492,000).

17. SHARE CAPITAL

The details of the Company's share capital are as follows:

	Notes	**Number of shares**	**Shares capital** *US$*
Authorised			
Ordinary shares of US$1.00 each			
At date of incorporation	*(a)*	50,000	50,000
Increase on subdivision of shares on 7 June 2010	*(c)*	4,950,000	–
Ordinary shares of US$0.01 each			
At 31 December 2010		5,000,000	50,000
Increase on 24 March 2011	*(d)*	**9,995,000,000**	**99,950,000**
Ordinary shares of US$0.01 each			
At 30 June 2011		**10,000,000,000**	**100,000,000**
Issued and fully paid			
Ordinary shares of US$1.00 each			
At date of incorporation	*(a)*	100	100
Issue of new shares on 13 April 2010	*(b)*	9,900	9,900
Increase on subdivision of shares on 7 June 2010	*(c)*	990,000	–
Ordinary shares of US$0.01 each			
At 31 December 2010		1,000,000	10,000
Capitalisation of share premium on 24 March 2011	*(d)*	**4,999,000,000**	**49,990,000**
Issue of shares upon listing of the Company's share on the Stock Exchange on 24 March 2011	*(e)*	**885,000,000**	**8,850,000**
Ordinary shares of US$0.01 each			
At 30 June 2011		**5,885,000,000**	**58,850,000**
			RMB'000
Shown on the condensed consolidated statement of financial position			386,206

Notes:

(a) On 9 February 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same date, 100 shares of US$1 each were issued.

(b) Prior to the reorganisation described as below (the "Reorganisation"), the operations of manufactures and sales of aluminum products and other business is carried out by Shandong Hongqiao and its subsidiaries, then the company is incorporated, and owned by Hongqiao Holding. As part of the Reorganisation, the amount payable of RMB3,193,921,000 by the Group to Profit Long Investment for the acquisition of the 98% interest in the Company's subsidiary, Shandong Hongqiao was recorded as deemed distribution during the six months ended 30 June 2010. Pursuant to an agreement entered into in April 2010, such amount was settled on 13 April 2010 by the issuance of 9,900 shares by the Company to its parent China Hongqiao Holdings Limited.

(c) On 7 June 2010, the par value of the shares of the Company was reduced from US$1 each to US$0.01 each, and the authorised share capital was changed from US$50,000 divided into 50,000 shares of US$1 each to US$50,000 divided into 5,000,000 shares of US$0.01 each. The issued share capital then became 1,000,000 shares of US$0.01 each.

(d) Pursuant to the written resolutions of all shareholders of the Company passed on 16 January 2011, the authorised share capital of the Company was increased from US$50,000 to US$100,000,000 by the creation of an additional 9,995,000,000 shares. A sum of US$49,990,000 standing to the credit of the share premium account of the Company was capitalised and applied in paying up in full at par 4,999,000,000 shares allotment and issued to the shareholders of the Company whose name appeared on the register of members of the Company at the close of business on 24 March 2011 in proportion to their then respective existing shareholdings in the Company and the directors allotted and issued such shares as aforesaid on 24 March 2011.

(e) On 24 March 2011, the Company issued 885,000,000 ordinary shares of US$0.01 each at the price of HK$7.20 per share by way of placing and public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

18. ACQUISITION OF A SUBSIDIARY

On 25 March 2010, the Group acquired certain assets through acquisition of a 100% equity interest in Binzhou Zhengtong New Aluminum Profiles Co., Ltd. ("Zhengtong"), from Ms. Zheng Shuliang ("Ms. Zheng"), and other independent third parties for an aggregate cash consideration of RMB205,000,000.

As at the date of acquisition, Zhengtong has not yet commenced operation and its production facility was still under construction. As it did not constitute a business under IFRS 3 "Business Combinations" and the acquisition was in substance an acquisition of the net assets of Zhengtong, the above transaction was accounted for as acquisition of assets and liabilities. The carrying amounts of net assets acquired are as follows:

	RMB'000
Net assets acquired	
Property, plant and equipment	180,094
Deposits paid for acquisition of property, plant and equipment	6,397
Prepaid lease payments	34,682
Bills receivable	28,546
Prepayments and other receivables	621
Amounts due from related parties	176,346
Cash and cash equivalents	28,987
Trade payables	(56,991)
Other payables	(180,507)
Amounts due to related parties	(13,175)
Net assets acquired	205,000
Total consideration satisfied by cash	205,000
Net cash outflow arising from acquisition	
Cash consideration paid	(205,000)
Cash and cash equivalents acquired	28,987
	(176,013)

19. DISPOSAL OF A SUBSIDIARY

During the six months ended 30 June 2010, the Group disposed of 100% interest in Marine Chemical for a consideration of RMB600 million. The disposal was effected in order to concentrate and expand the Group's business on aluminum products.

Details of net assets disposed of and gain on disposal are as follows:

	At 1 January 2010 *RMB'000*
Net assets disposed of	
Property, plant and equipment	1,202,864
Prepaid lease payments	50,212
Inventories	67,419
Trade receivables	8,033
Bills receivable	33,316
Prepayments and other receivables	22,466
Amounts due from related parties	148,325
Restricted bank deposits	27,506
Bank balances and cash	85,812
Trade payables	(133,737)
Bills payable	(50,000)
Other payables	(33,226)
Amounts due to related parties	(162,384)
Income tax payable	(171)
Bank borrowings	(663,000)
Deferred income	(10,055)
	593,380
Gain on disposal of a subsidiary	6,620
Consideration satisfied by cash	600,000
Net cash inflow arising on disposal	
Cash received	600,000
Cash and cash equivalents disposed of	(85,812)
	514,188

20. CAPITAL COMMITMENTS

	30 June 2011 *RMB'000*	31 December 2010 *RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	**2,247,228**	178,733
– authorised but not contracted for	**4,303,836**	2,650,614
	6,551,064	2,829,347

21. RELATED PARTY TRANSACTIONS

The related party transactions disclosed below include those from the discontinued operations.

(a) Name and relationship with related parties

Name	**Relationship**
Chuangye Group	Note ii
濱州魏橋鋁業科技有限公司 (“Aluminum Technology”) *(note i)*	Controlled by Chuangye Group
鄒平魏橋再生資源利用有限公司 (“Zouping Weiqiao Recycling Resources Co., Ltd”) *(note i)*	Controlled by Chuangye Group
Marine Chemical	Notes i and iii
Ms. Zheng	Spouse of Mr. Zhang

Notes:

(i) The English names of the above companies are for reference only and have not been registered.

(ii) Mr. Zhang, the director and the controlling shareholder of the ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group during each of the six months ended 30 June 2010 and 2011.

(iii) Marine Chemical was controlled by Huibin Dyeing which was controlled by Mr. Zhang.

(b) Except as disclosed in elsewhere in the condensed consolidated financial statements, the Group has entered into the following significant transactions with its related parties during the reporting period:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Continuing transactions		
Purchases of carbon anode blocks		
– Aluminum Technology	**197,135**	138,131
Sales of slag of carbon anode blocks		
– Aluminum Technology	**14,479**	9,132
Discontinued transactions		
Sales of accessories		
– Chuangye Group	**–**	1
– Aluminum Technology	**–**	70
– Marine Chemical	**–**	1
– 鄒平魏橋再生資源利用有限公司 (Zouping Weiqiao recycling Resources Co.,Ltd).	**–**	49
	–	121
Sales of aluminum alloy ingots		
– Chuangye Group	**–**	1,928
Sales of aluminum busbars		
– Chuangye Group	**–**	10,029
Purchases of molten aluminum		
– Chuangye Group	**–**	97,530
Purchases of materials		
– Chuangye Group	**–**	599
– Aluminum Technology	**–**	7
– Marine Chemical	**–**	2
	–	608
Purchase of cryolite		
– Chuangye Group	**–**	6,256
Purchase of land use rights		
– Chuangye Group	**–**	50,091
Rental expense		
– Chuangye Group	**–**	1,558

Note: Pursuant to a lease entered into between Chuangye Group and the Group, Chuangye Group agreed to lease to the Group certain land for the Group's production facilities with effect from 1 July 2005. Pursuant to certain land purchase agreements entered into by Chuangye Group and the Group dated 11 January 2010, the Group acquired the land use rights for the land leased from Chuangye Group; and the land on which the production plants of the aluminum business of Chuangye Group acquired by the Group were located, for an aggregate cash consideration of RMB50,091,000, which was paid in January 2010.

(c) Compensation of key management personnel

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Short term employee benefit	**2,747**	107
Retirement benefits scheme contributions	**14**	10
	2,761	117

22. CONTINGENT LIABILITY

In June 2010, the company's subsidiary, Shandong Weiqiao Aliminum Power co, Ltd ("Aluminum & Power") has filed two separate claims against Wuhan Boiler Company Limited ("Wuhan Boiler", a boiler supplier of the Group), seeking (i) refund of deposits made by Aluminum & Power of RMB59 million for the acquisition of eight sets of boilers pursuant to two boiler purchase agreements entered into in 2007 (the "2007 Boiler Purchase Agreements"); and (ii) compensation of RMB10.9 million, totaling an aggregate claim of approximately RMB69.9 million, as Wuhan Boiler has not delivered boilers within the time frame as specified in the 2007 Boiler Purchase Agreements.

On 11 July 2003, Aluminum & Power and Wuhan Boiler entered into a boiler supply agreement, pursuant to which Wuhan Boiler agreed to provide Aluminum & Power with eight sets of boilers for approximately RMB424 million (the "2003 Boiler Purchase Agreement"). This boiler supply agreement was amended for several times with respect to its total price, delivery schedule and payment term in 2005 and 2006. As both parties had disputes regarding the interpretation of the terms with respect to the total price and quality deposits, on 15 September 2010, Wuhan Boiler initiated legal proceedings against Aluminum & Power at Shandong Higher People's Court, seeking for payment of the remaining contract sum and refund of quality deposit of approximately RMB52.3 million, damages of approximately RMB83.5 million, an overdue fine of approximately RMB57.5 million and the relevant litigation expenses. Shandong Higher People's Court has not reached a final judgment.

On 16 February 2006 and 24 May 2006, Aluminum & Power and Wuhan Boiler entered into two boiler supply agreements (the "2006 Boiler Purchase Agreements"). Pursuant to the terms of each of the 2006 Boiler Purchase Agreements, Wuhan Boiler agreed to provide Aluminum & Power with eight sets of boilers. The total contract amount of each of the 2006 Boiler Purchase Agreements was approximately RMB104 million. On 23 March 2010, Aluminum & Power, 濱州高新鋁電股份有限公司 (Binzhou Gaoxin Aluminum & Power Joint Stock Co., Ltd.) ("Gaoxin Aluminum & Power“) (formerly known as 鄒平高新熱電有限公司) and Wuhan Boiler entered into a contract for assigning the rights and obligations under both 2006 Boiler Purchase Agreements from Aluminum & Power to Gaoxin Aluminum & Power. Pursuant to the terms of this contract, Gaoxin Aluminum & Power has the primary responsibility to fulfill obligations under the 2006 Boiler Purchase Agreements and Wuhan Boiler had the right to seek performance by Aluminum & Power under the 2006 Boiler Purchase Agreements if Gaoxin Aluminum & Power refuses or fails to do so. As Wuhan Boiler and Gaoxin Aluminum & Power had disputes regarding the interpretation of the terms of the 2006 Boiler Purchase Agreements including the total price under these agreements, on 8 November 2010 and 17 November 2010, Wuhan Boiler respectively initiated legal proceedings against Gaoxin Aluminum & Power and Aluminum & Power at Shandong Higher People's Court, seeking, (i) for the agreement dated 16 February 2006, damages of approximately RMB51.51 million; (ii) for the agreement dated 24 May 2006, payment of remaining contract sum RMB32.7 million, payment of terminated loss of RMB13 million, damages of approximately RMB49.2 million, and overdue fine of approximately RMB47.6 million; and (iii) relevant litigation expenses. Shandong Higher People's Court has not reached a final judgment up to the date of this report.

At present, the litigations are still at preliminary stage. The Group has accrued in full the remaining contract sum in relation to the 2003 Boiler Purchase Agreement including the quality deposits in an aggregate amount of RMB52.3 million (the "Accrued Liabilities") in relation to the litigations brought by Wuhan Boiler. In the opinion of the directors of the Company, the other claims made by Wuhan Boiler in addition to the Accrued Liabilities including damages, penalty interests and litigation costs are without merit and they will defend vigorously against such claims. After seeking legal advice, the directors of the Company are of the opinion that it is not probable that the claims will result in payment by the Group in excess of the Accrued Liabilities and accordingly, no additional provision has been made in the financial statements for the claim brought by Wuhan Boiler.

On 16 January 2011, Mr. Zhang, the controlling shareholder of the Company, has agreed in writing to indemnify any losses that may be incurred by Aluminum & Power arising from the claims mentioned above in relation to the 2003 Boiler Purchase Agreement brought by Wuhan Boiler. In addition, on the same date, Chuangye Group has also agreed in writing to indemnify any losses that may be incurred by Aluminum & Power arising from the claims mentioned above in relations to the 2006 Boiler Purchase Agreement brought by Wuhan Boiler.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The board of directors (the "Board") of China Hongqiao Group Limited ("China Hongqiao" or the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 (the "Period" or "Period under Review").

The first half of 2011 witnessed the Group's realization of leap-forward development by embracing the unprecedented opportunities in the market. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 24 March 2011 (the "Listing") with extensive support from investors. It laid a solid foundation for the Group's establishment of an international financing platform and accessibility to the international capital market. By leveraging on the Company's listing status and the opportunities brought about by the stable and sustained economic growth in China, the Group continued to expand its production capacity, and further enhanced the self-supply of electricity to lower cost, thereby further strengthening the Group's competitive edge. The Group also continued to devote more efforts to research and development, technical innovation and market development. As a result, for the six months ended 30 June 2011, the Group experienced a rapid business growth, with satisfactory performance in all of its operating indicators and remarkable earnings performance. During the Period under Review, the Company recorded revenue of approximately RMB11,335 million, representing an increase of approximately 61.4% from approximately RMB7,024 million for the corresponding period of 2010. Gross profit amounted to approximately RMB4,049 million, representing an increase of approximately 48.0% from approximately RMB2,735 million for the corresponding period of 2010. Net profit attributable to shareholders of the Company for the Period under Review amounted to approximately RMB2,906 million, representing an increase of approximately 44.0% from approximately RMB2,018 million for the corresponding period of 2010. Earnings per share were approximately RMB0.53 (for the corresponding period of 2010: approximately RMB0.40).

China is the largest consumer of aluminum products in the world and also the country with the fastest economic growth. Steady economic growth and accelerated urbanization in China continued to create immense opportunities for the Group's business growth. China's various industries, including real estate and automotive industries, continues to have strong demand for aluminum products. With its own competitive edge, the Group firmly grasped the opportunities brought about by China's economic development to maintain its stable business growth. As at 30 June 2011, with newly added capacity which began operation during the Period, the Group's total designed annual production capacity reached approximately 1,480,000 tons. In addition, the Group is also increasing the self-supply of electricity to further enhance its core competitive advantage of low cost and improve its overall profitability, and continued to enhance its leading position in the industry by capitalizing on its advantages arising from its location in the aluminum industry cluster and the economies of scale.

In the future, the Group will continue to enhance its competitive strength by leveraging on its advantage of locating within the aluminum industry cluster, improve operating efficiency and lower production cost through the optimization of production technology and technical innovation. Furthermore, the Group will continue to proactively maintain effective communications with investors and improve its corporate governance.

The Company's outstanding operating results achieved in the first half of 2011 was attributable to the dedicated service and contribution of all our employees, as well as the support and encouragement from our shareholders and business partners. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to the employees, shareholders and business partners of the Group.

Zhang Shiping
Chairman

12 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In the first half of 2011, market demand for aluminum products continued to increase, driven by the rapidly increasing aluminum consumption by various industries. Market demand for aluminum products increased significantly, driven by various favourable factors, including the commencement of a number of large-scale infrastructure projects and new vehicle capacity projects, the State's supports for the new energy vehicle industry, the increased production volume of China's shipbuilding industry, the concept of "replacing copper with aluminum", and the construction of China's 10 million units of affordable housing within 2011.

According to Antaike, the global production volume of primary aluminum for the first half of 2011 was approximately 22,386,000 tons, representing an increase of approximately 6.4% as compared with approximately 21,030,000 tons for the corresponding period of the previous year, of which, the aluminum production volume in China increased by approximately 6.6% from approximately 8,760,000 tons for the corresponding period of the previous year to approximately 9,334,000 tons. The global consumption of primary aluminum in the first half of 2011 was approximately 22,624,000 tons, representing an increase of approximately 13.9% as compared with approximately 19,860,000 tons for the corresponding period of the previous year. Of which, consumption of primary aluminum in China amounted to approximately 9,964,000 tons, representing an increase of approximately 23.3% as compared with approximately 8,080,000 tons for the corresponding period of the previous year.

In the first half of this year, the global prices of aluminum products remained at the high level of the second half of 2010. As at the end of June 2011, the three-month aluminum futures price quoted at the London Metal Exchange reached US$2,583/ton and the three-month aluminum futures price quoted at Shanghai Futures Exchange reached RMB16,785/ton (tax inclusive).

Business Review

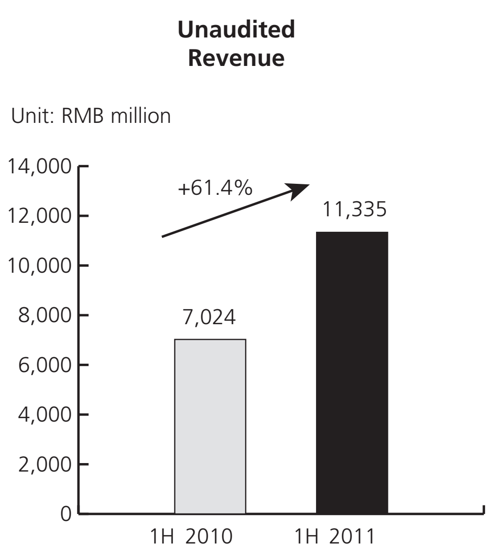
By grasping the opportunities emerged from the expansion of China's aluminum market, China Hongqiao vigorously focused on corporate expansion and business development, and continued to strengthen its competitive strengths in the industry. According to Antaike, in terms of designed annual production capacity as of 30 June 2011, the Group was the fourth largest aluminum product manufacturer in China (the world's largest and fastest growing aluminum product market).

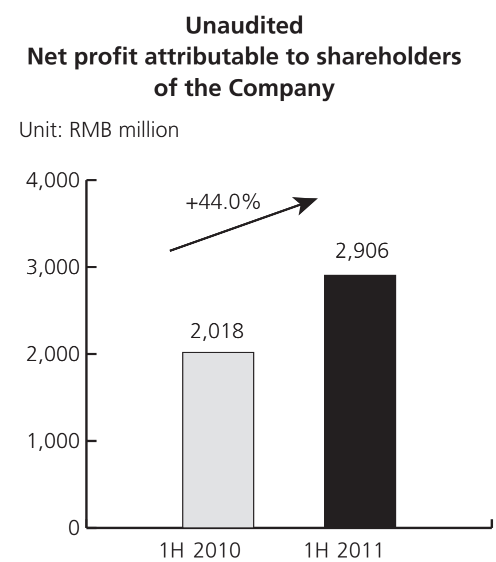
Currently, the Group has three manufacturing bases, namely, (1) Weiqiao Manufacturing Base, (2) Zouping Manufacturing Base and (3) Binzhou manufacturing base. All of them are located in Shandong province, China.

With the newly added capacity which gradually began operation, the Group's production capacity has been increased further. As of the end of June 2011, the aggregate designed annual production capacity of aluminum products of the Group reached approximately 1,480,000 tons. Production volume of the Group's molten aluminum alloy, aluminum alloy ingots and aluminum busbars were 585,170 tons, 178,772 tons and 2,077 tons, respectively, for the six months ended 30 June 2011, representing increases of 49.6% and 93.1% and a decrease of 84.4%, respectively, as compared with the corresponding period of the previous year.

During the Period under Review, China Hongqiao adopted a proactive marketing expansion strategy so as to gain support from more customers and further increase its market share. As of 30 June 2011, the number of the Company's customers was 65, representing a very stable customer base.

The Group's revenue and net profit attributable to shareholders of the Company for the six months ended 30 June 2011 are as follows:





For the six months ended 30 June 2011, the Group recorded revenue of approximately RMB11,335 million, representing a growth of approximately 61.4% as compared with the corresponding period of the previous year, mainly due to the increased production volume as a result of the increase in the Group's aluminum production capacity, the significant increase in sales volume and the average selling price of aluminum products driven by the strong demand in the aluminum market. During the Period, sales volume of the Group's aluminum products reached 762,718 tons, representing a significant increase of approximately 56.1% over 488,708 tons of the corresponding period of the previous year. The average selling price of the Group's aluminum products increased by approximately 5.5% from approximately RMB13,655/ton in the first half of 2010 to approximately RMB14,405/ton in the first half of 2011.

For the six months ended 30 June 2011, net profit attributable to shareholders of the Company amounted to approximately RMB2,906 million, representing a growth of approximately 44.0%, mainly as compared with the corresponding period of the previous year due to the increased production volume as a result of the increase in the Group's aluminum production capacity, the significant increase in sales volume and the average selling price of aluminum products driven by the strong demand in the aluminum market.

The following chart illustrates the comparison of revenues by product category for the six months ended 30 June 2011 and the corresponding period of 2010, respectively:

	Unaudited			
	For the six months ended 30 June			
	2011		2010	
Products	**Revenue** *RMB million*	**Proportion of sales revenue to total revenue**	Revenue *RMB million*	Proportion of sales revenue to total revenue
Molten aluminum alloy	**8,448**	**74.5%**	5,292	75.3%
Aluminum alloy ingots	**2,506**	**22.1%**	1,314	18.7%
Aluminum busbars	**33**	**0.3%**	67	1.0%
Steam	**348**	**3.1%**	351	5.0%
Total	**11,335**	**100.0%**	7,024	100.0%

For the six months ended 30 June 2011, the Group's revenue generated from the sales of molten aluminum alloy and aluminum alloy ingots increased significantly, which was primarily due to the significant increase in the Group's production capacity, production volume and the demand from the downstream customers in the aluminum industry. The proportion of revenue generated from the sales of molten aluminum alloy decreased while those generated from the sales of aluminum alloy ingots increased. This was mainly due to the fact that the Group's newly added capacity was put into operation earlier than scheduled in the first half of 2011, while the corresponding newly added capacity of the downstream customers in the industry cluster would be put into operation in the second half of the year or next year. As such, the Group reallocated the newly added capacity to produce aluminum alloy ingots for external sales, which resulted in lower proportion of revenue generated from the sales of molten aluminum alloy and higher proportion of revenue generated from the sales of aluminum alloy ingots. The lower proportion of revenue generated from the sales of aluminum busbars was primarily due to the decrease in the Group's customer demand for aluminum busbars.

Financial Review

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin attributable to its major product categories for the six months ended 30 June 2011 and 2010:

	Unaudited For the six months ended 30 June					
	2011			2010		
	Revenue *RMB million*	**Gross profit** *RMB million*	**Margin** *%*	Revenue *RMB million*	Gross profit *RMB million*	Margin *%*
Molten aluminum alloy	**8,448**	**3,100**	**36.7**	5,292	1,997	37.7
Aluminum alloy ingots	**2,506**	**843**	**33.6**	1,314	584	44.4
Aluminum busbars	**33**	**13**	**39.4**	67	30	44.8
Steam	**348**	**93**	**26.7**	351	124	35.3
Total:	**11,335**	**4,049**	**35.7**	7,024	2,735	38.9

For the six months ended 30 June 2011, the overall gross profit margin of the Group's products decreased by approximately 3.2 percentage points to approximately 35.7% as compared with approximately 38.9% in the corresponding period of the previous year. This was mainly due to the increasing purchase price of raw materials as compared with the corresponding period of the previous year, and also the percentage of self-supplied electricity decreasing to approximately 40.9% this year from approximately 57.8% in the corresponding period of the previous year with the expansion of the Group's production capacity. Therefore, the cost of sales per ton of the aluminum products of the Group increased by approximately 10.9% as compared with the corresponding period of the previous year, while unit sale price only increased by approximately 5.5% which was smaller than the increase in the cost of sales.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately 33.3% to approximately RMB16 million for the six months ended 30 June 2011 from approximately RMB12 million for the corresponding period of the previous year, which was mainly attributable to the increase in transportation cost as a result of the increase in sales volume of the Group's aluminum products.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2011 amounted to approximately RMB83 million, representing an increase of approximately 66.0% as compared with approximately RMB50 million for the corresponding period of the previous year. This was mainly due to the increase in local tax payables arising from the Group's purchase of land and construction of new plants to meet the needs of expansion of production capacity, and also the increase in administrative staff expenses arising from the increasing administrative staff.

Other expenses

For the six months ended 30 June 2011, the other expenses of the Group amounted to approximately RMB16 million, which was mainly the fees incurred in connection with the Listing of the Company.

Finance costs

For the six months ended 30 June 2011, finance costs of the Group were approximately RMB133 million, representing an increase of approximately 90.0% as compared with RMB70 million of the corresponding period of the previous year. This was mainly due to the increase in interest expense arising from the increase in bank loans of the Group and rise in interest rates in China during the Period.

Liquidity and capital resources

As at 30 June 2011, cash and cash equivalents of the Group were approximately RMB7,575 million, representing an increase of approximately 183.7% as compared with approximately RMB2,670 million as at 31 December 2010. This was mainly due to the proceeds raised from the Listing of the Company and the increase in its retained capital.

For the six months ended 30 June 2011, the Group had a net cash outflow from investing activities of approximately RMB4,110 million, a net cash inflow from financing activities of approximately RMB5,708 million and a net cash inflow from operating activities of approximately RMB3,307 million. The Group principally satisfies its demand for operating capital with cash inflow from operation.

For the six months ended 30 June 2011, the capital expenditures of the Group amounted to approximately RMB4,040 million, mainly for the expansion of its aluminum production capacity and the investment in its self-supply thermal power station.

As at 30 June 2011, the Group had capital commitment of approximately RMB6,551 million, representing capital expenditure in respect of acquisition of property, plant and equipment, primarily related to the Group's Zhengtong project and the construction of self-supply thermal power stations.

For the six months ended 30 June 2011, the Group's average turnover days of trade receivables was 0.1 day, a decrease as compared with 0.6 day for the corresponding period of the previous year. It was mainly because the Group required prepayment before delivery, and if the value of actual shipment exceeded the prepayment, the Group would grant our customers no more than 90 days credit period, therefore, the Group's trade receivables turnover period is generally shorter.

For the six months ended 30 June 2011, the Group's average turnover days of inventory was 33 days, a slight increase as compared with 31 days for the corresponding period of the previous year, which was mainly due to the increase in the inventory of raw materials required for its production and the increase in work-in-process products as a result of the expansion of production capacity.

Contingent liabilities

In 2010, Wuhan Boiler Company Limited ("Wuhan Boiler") initiated legal proceedings against the Company in respect of the boiler supply agreements entered into with the Company. As at 30 June 2011, the Group incurred contingent liabilities of approximately RMB335 million (31 December 2010: approximately RMB335 million) as a result of such litigations. Please refer to Note 22 to the condensed consolidated financial statements for details of such contingent liabilities.

Income tax

The Group's income tax for the first half of 2011 amounted to approximately RMB1,034 million, representing an increase of approximately 54.3% as compared with approximately RMB670 million for the corresponding period of the previous year, which was mainly attributable to the increase of the Group's profit before taxation.

Profit for the Period from continuing operations

The increased production capacity and production volume of the Group drove a significant increase in sales, and profit for the Period from continuing operations of the Group increased by approximately 44.5% from approximately RMB2,011 million for the six months ended 30 June 2010 to approximately RMB2,906 million for the six months ended 30 June 2011.

Profit for the Period from discontinued operations

For the six months ended 30 June 2011, the Group recorded no profit for the Period from discontinued operations because the Group had completed the disposal or closure of the discontinued operations (namely dyeing business, caustic soda manufacturing business and alumina agency business) prior to the first quarter of 2010.

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

Net profit attributable to owners of the Company was approximately RMB2,906 million for the six months ended 30 June 2011, representing an increase of approximately 44.0% as compared with approximately RMB2,018 million for the corresponding period of the previous year. Earnings per share of the Company for the Period were approximately RMB0.53.

Interim Dividends

The Directors do not recommend any interim dividends for the six months ended 30 June 2011 (2010: Nil).

Capital Structure

The Group has built an appropriate liquidity risk management framework to manage its short, medium and long-term funding and to satisfy liquidity management requirements. Cash and cash equivalents of the Group amounted to approximately RMB7,575 million (31 December 2010: approximately RMB2,670 million) as at 30 June 2011 and were mainly deposited with commercial banks. As at 30 June 2011, the total liabilities of the Group amounted to approximately RMB7,396 million (31 December 2010: approximately RMB6,043 million). Gearing ratio (total liabilities to total equity) was 47.9% (31 December 2010: 82.7%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable rates to manage interest expenses. As at 30 June 2011, 30% of the Group's bank borrowings were subject to fixed interest rates while the remaining 70% were subject to floating interest rates.

The Group relied on its restricted bank deposits and prepayments to secure its bank borrowings and to finance its daily operations and project construction. As of 30 June 2011, the Company's secured bank borrowings amounted to RMB17 million (31 December 2010: RMB90 million).

The Group maintains a balance between the continuity and flexibility of funds through bank loans. As at 30 June 2011, approximately 16.6% of the Group's borrowings will become due within one year.

As at 30 June 2011, the Group's borrowings were all denominated in Renminbi. Cash and cash equivalents were mainly held in Renminbi, US dollars and HK dollars, of which 0.3% of the cash and cash equivalents was held in US dollars and 1.2% of the cash and cash equivalents was held in HK dollars.

Employee and remuneration policy

As at 30 June 2011, the Group had a total of 14,312 employees, representing an increase of 4,696 employees as compared with the corresponding period of last year. The increase in the number of staff was due to the expansion of its production capacity during the Period. The Group recruited additional new staff to meet the requirement of the Group's production. Total staff costs amounted to approximately RMB245 million during the Period, representing 2.2% of its revenue, which was about the same level as the previous year. The remuneration package of our employees includes salary and various types of allowances.

In addition, the Group has established a performance-based remuneration system under which employees may be awarded with additional bonuses. The Group provides training programs for our employees to equip themselves with the requisite working skills and knowledge.

Exposure to foreign exchange risk

We collected all of the revenue in Renminbi and funded most of the capital expenditures in Renminbi. As certain bank balances and bank borrowings are denominated in foreign currencies, we are exposed to certain currency risks. As of 30 June 2011, our bank balances denominated in foreign currencies amounted to RMB114 million and bank borrowings amounted to RMBNil. For the six months ended 30 June 2011, the Group recorded a foreign exchange loss of approximately RMB28 million.

We have not used derivative financial instruments during the Period.

Outlook

The Group will continue to exploit its strategic advantages and capitalize on its market leading position and highly efficient production management so as to grasp the increasing market opportunities.

The Group is in the progress of expanding its manufacturing bases to increase its production capacity and market share. Through this expansion, the Group's aggregate designed annual production capacity is expected to reach approximately 1,776,000 tons by the end of 2011 or early 2012. To cope with such increase in production capacity, the Group has also recently begun construction to expand the power generation facilities, which are expected to increase the total installed capacity to approximately 2,400 MW by the end of 2012.

In respect of the extension of industrial chain, the Group has recently begun to develop production capacity for high value-added aluminum foil products at Binzhou manufacturing base for the purpose of the Group improving its overall profit ability. The aggregate designed annual production capacity of the Group for high value-added aluminum foil products is expected to reach approximately 30,000 tons by the second half of 2012.

Meanwhile, the Group will continue to strengthen the research and development on products and manufacturing techniques, optimize the cost structure and quality as well as improve the effectiveness of energy conservation and environmental friendliness in production, so as to maximize the benefits for the Group, its shareholders, customers and the community.

SUPPLEMENTARY INFORMATION

Substantial Shareholders

As at 30 June 2011, so far as it is known to any Directors, supervisors and chief executive of the Company, the following persons (other than the Directors, supervisors or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Interests in our domestic shares:

Substantial Shareholders' Interest and Short Positions in the Shares and Underlying Shares

As of 30 June 2011, so far as it is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which were required to be entered in the register maintained by the Company pursuant to Section 336 of Part XV of the SFO as follows:

Name of shareholder	Capacity/type of interest	Number of total shares	Approximate percentage of shareholding (%)
Mr. ZHANG Shiping(1)	Interest of a controlled corporation	5,000,000,000	84.96
Ms. ZHENG Shuliang(2)	Spouse	5,000,000,000	84.96
Hongqiao Holdings	Beneficial	5,000,000,000	84.96

Notes:

(1) Mr. ZHANG is the legal and beneficial owner of the entire issued share capital of Hongqiao Holdings and is deemed to be interested in the shares of the Company held by Hongqiao Holdings.

(2) Ms. ZHENG, the spouse of Mr. ZHANG, is deemed to be interested in all the shares of the Company in which Mr. ZHANG is interested.

Save as disclosed above, as of 30 June 2011, no other person had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As of 30 June 2011, the Directors or chief executive of the Company and their respective associates had the following interests in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the shares of the Company:

Name of Directors	Capacity/type of interest	Number of total shares	Approximate percentage of shareholding (%)
Mr. ZHANG Shiping(1)	Interest of a controlled corporation	5,000,000,000	84.96
Ms. ZHENG Shuliang(2)	Spouse	5,000,000,000	84.96

Notes:

(1) The interests of Mr. ZHANG Shiping in the Company were held through its wholly-owned investment company Hongqiao Holdings.

(2) Ms. ZHENG Shuliang, the spouse of Mr. ZHANG Shiping, is deemed to be interested in all the shares of the Company in which Mr. ZHANG Shiping is interested.

Save as disclosed above, as of 30 June 2011, none of the Directors or the chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those interests or short positions they are taken or deemed to have under such provisions of the SFO), or entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the six months ended 30 June 2011 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 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 equity or debt securities of the Company or any other body corporate or had exercised any such right.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of the three independent non-executive Directors. An Audit Committee meeting was held on 12 August 2011 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011. The Audit Committee considered that the interim financial results for the six months ended 30 June 2011 are 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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date of the Company to 30 June 2011 and up to the date of this announcement.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the six months ended 30 June 2011 and up to the date of this announcement.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). Since the Listing Date on 24 March 2011, the Company is in compliance with the mandatory code provisions of the CG Code.

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

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongqiaochina.com. The interim report will be dispatched to shareholders on or before 26 August 2011 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, for their support and contribution to the Group.

By Order of the Board
China Hongqiao Group Limited
Zhang Shiping
Chairman

Shandong, the People's Republic of China
12 August 2011

As at the date of this announcement, the board of Directors of the Company comprises 9 Directors, namely Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Qi Xingli as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei as non-executive Directors, and Mr. Chen Yinghai, Mr. Xing Jian and Mr. Han Benwen as independent non-executive Directors.