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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 2015

RESULTS HIGHLIGHTS

- Revenue increased by approximately 29.3% to approximately RMB22,452,778,000 as compared with the corresponding period of the previous year
- Gross profit increased by approximately 37.4% to approximately RMB5,236,102,000 as compared with the corresponding period of the previous year
- Net profit attributable to owners of the Company increased by approximately 33.4% to approximately RMB2,718,123,000 as compared with the corresponding period of the previous year
- Basic earnings per share increased by approximately 25.7% to approximately RMB0.44 as compared with the corresponding period of the previous year
- As of 30 June 2015, the Group's aggregate designed annual production capacity for aluminum products was approximately 4,536,000 tons

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	<i>Notes</i>	For the Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
REVENUE	4	22,452,778	17,368,107
Cost of sales		(17,216,676)	(13,557,657)
Gross profit		5,236,102	3,810,450
Other income and gains	5	369,478	101,114
Selling and distribution expenses		(49,869)	(55,623)
Administrative expenses		(426,390)	(267,136)
Other expenses		(20,222)	(1,029)
Finance costs	6	(968,266)	(742,337)
Changes in fair value of compound component		(209,932)	(20,985)
PROFIT BEFORE TAX	7	3,930,901	2,824,454
Income tax expense	8	(1,221,903)	(799,552)
PROFIT FOR THE PERIOD		2,708,998	2,024,902
Attribute to:			
Owners of the parent		2,718,123	2,037,102
Non-controlling interests		(9,125)	(12,200)
		2,708,998	2,024,902
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operation		11,058	6,715
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,720,056	2,031,617
Attributable to:			
Owners of the parent		2,724,758	2,041,130
Non-controlling interests		(4,702)	(9,513)
		2,720,056	2,031,617
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	RMB 0.44	RMB 0.35

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	<i>Notes</i>	30 June 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	62,520,289	54,852,855
Prepaid land lease payments		1,584,036	1,459,378
Deposits paid for acquisition of property, plant and equipment		2,499,711	2,139,174
Deferred tax assets		115,324	96,490
Goodwill		80,418	80,418
Total non-current assets		66,799,778	58,628,315
CURRENT ASSETS			
Prepaid lease payments – current portion		33,213	31,255
Inventories	12	11,017,351	11,165,403
Trade receivables	13	2,005,318	335,664
Bills receivable	14	5,318,912	2,466,183
Prepayments, deposits and other receivables		2,540,181	2,222,888
Restricted bank deposits	15	471,141	829,789
Cash and cash equivalents	15	6,712,867	7,676,335
Total current assets		28,098,983	24,727,517
CURRENT LIABILITIES			
Trade payables	16	4,448,793	2,427,058
Other payables	17	8,487,639	7,960,575
Dividends payable		2,531	1
Bank borrowings – due within one year	18	9,728,236	7,663,730
Other borrowings – due within one year	18	175,000	160,000
Income tax payable		269,533	294,954
Short-term debentures	19	9,000,000	7,000,000
Medium-term debentures and bonds – due within one year	21	1,500,000	1,500,000
Convertible bonds – liability component	20	–	797,443
Convertible bonds – derivative component	20	–	84,588
Total current liabilities		33,611,732	27,888,349
NET CURRENT LIABILITIES		5,512,749	3,160,832
TOTAL ASSETS LESS CURRENT LIABILITIES		61,287,029	55,467,483

	<i>Notes</i>	30 June 2015 RMB'000	31 December 2014 RMB'000
EQUITY			
Issued capital		415,834	403,152
Share premium and reserves		<u>34,130,718</u>	<u>31,686,472</u>
Equity attributable to owners of the parent		34,546,552	32,089,624
Non-controlling interests		<u>463,153</u>	<u>344,390</u>
Total equity		<u><u>35,009,705</u></u>	<u><u>32,434,014</u></u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	18	12,444,753	11,820,722
Other borrowings – due after one year	18	–	75,000
Deferred tax liabilities		163,166	148,460
Medium-term debentures and bonds – due after one year	21	9,421,786	6,742,686
Guaranteed notes	22	<u>4,247,619</u>	<u>4,246,601</u>
Total non-current liabilities		<u>26,277,324</u>	<u>23,033,469</u>
NET ASSETS		<u><u>35,009,705</u></u>	<u><u>32,434,014</u></u>
TOTAL LIABILITIES		<u>59,889,056</u>	<u>50,921,818</u>
TOTAL EQUITY AND LIABILITIES		<u><u>94,898,761</u></u>	<u><u>83,355,832</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the parent						Non-controlling interests	Total equity	
	Issued capital	Share premium	Capital reserve	Translation reserve	Statutory surplus reserve	Retained earnings			Total
	RMB'000	RMB'000	RMB'000 (note 1)	RMB'000	RMB'000 (note 2)	RMB'000	RMB'000	RMB'000	
As at 1 January 2015	403,152	6,154,439	793,349	10,796	3,801,171	20,926,717	32,089,624	344,390	32,434,014
Exchange differences arising on translation of foreign operations	-	-	-	6,635	-	-	6,635	4,423	11,058
Profit for the period	-	-	-	-	-	2,718,123	2,718,123	(9,125)	2,708,998
Total comprehensive income for the period	-	-	-	6,635	-	2,718,123	2,724,758	(4,702)	2,720,056
Issue of new shares for conversion of convertible bond	12,682	1,087,444	-	-	-	-	1,100,126	-	1,100,126
Dividend declared	-	-	-	-	-	(1,367,956)	(1,367,956)	-	(1,367,956)
Contribution from non-controlling shareholder	-	-	-	-	-	-	-	123,465	123,465
At 30 June 2015	<u>415,834</u>	<u>7,241,883</u>	<u>793,349</u>	<u>17,431</u>	<u>3,801,171</u>	<u>22,276,884</u>	<u>34,546,552</u>	<u>463,153</u>	<u>35,009,705</u>

Attributable to owners of the parent

	Issued capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 1 January 2014	386,206	4,832,946	793,349	(13,613)	3,104,226	17,571,259	26,674,373	208,172	26,882,545
Exchange differences arising on translation of foreign operations	-	-	-	4,028	-	-	4,028	2,687	6,715
Profit (loss) for the period	-	-	-	-	-	2,037,102	2,037,102	(12,200)	2,024,902
Total comprehensive income for the period	-	-	-	4,028	-	2,037,102	2,041,130	(9,513)	2,031,617
Final 2013 dividend declared	-	-	-	-	-	(1,261,229)	(1,261,229)	-	(1,261,229)
Contribution from non-controlling shareholder	-	-	-	-	-	-	-	155,921	155,921
At 30 June 2014	<u>386,206</u>	<u>4,832,946</u>	<u>793,349</u>	<u>(9,585)</u>	<u>3,104,226</u>	<u>18,347,132</u>	<u>27,454,274</u>	<u>354,580</u>	<u>27,808,854</u>

Notes:

- (1) Capital reserve represents (i) the effect of the group reorganisation completed in March 2010 and (ii) deemed capital contribution from its equity holders.
- (2) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC (the "PRC GAAP") to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	For the Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from operating activities	3,671,085	6,184,885
Interest received	14,548	28,241
Purchases of items of property, plant and equipment	(9,941,726)	(3,209,455)
Proceeds from disposal of items of property, plant and equipment	–	2,015
Addition to prepaid lease payments	(142,936)	(68,797)
Placement of restricted bank deposits	(189,704)	(407,167)
Withdrawal of restricted bank deposits	548,352	561,470
	<hr/>	<hr/>
Net cash flows used in investing activities	(9,711,466)	(3,093,693)
	<hr/>	<hr/>
New bank loans	11,871,958	10,827,142
Repayment of bank loans	(9,183,422)	(12,398,242)
Dividends paid to owners of the parent	(1,364,298)	(1,261,187)
Proceeds from issuance of senior notes	–	2,461,120
Payment of transaction costs on issuance of senior notes	–	(43,070)
Repayment of other borrowings	(60,000)	(45,000)
Medium-term debentures raised	2,700,000	1,200,000
Short-term debentures raised	5,000,000	3,000,000
Repayment of short-term debenture	(3,000,000)	(2,000,000)
Payment of transaction costs on issuance of short-term debentures	(22,000)	(16,500)
Payment of transaction costs on issuance of medium-term debentures	(24,300)	(12,900)
Interest paid	(844,939)	(962,417)
Advance from related parties	–	155,921
	<hr/>	<hr/>
Net cash flows from financing activities	5,072,999	904,867
	<hr/>	<hr/>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(967,382)	3,996,059
Cash and cash equivalents at beginning of the period	7,676,335	6,362,070
Effect of foreign exchange rate changes, net	3,914	32,705
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,712,867	10,390,834
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

For the six months ended 30 June 2015

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands 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”). The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P O Box 2804, 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, 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 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 IAS34 Interim Financial Reporting.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014.

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration of the Group in light of its net current liabilities of approximately RMB5,512,749,000 as at 30 June 2015. Having considered the fact that the Group did not encounter difficulty in renewing the short term bank borrowings of the Group upon maturity, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements for the six months ended 30 June 2015 have been prepared on a going concern basis.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the new standards and interpretations (collectively referred to as “IFRSs”) issued by the International Accounting Standards Board (“IASB”) and effective as of 1 January of 2015 noted below:

Amendments to IAS 19
Annual Improvements
2010-2012 Cycle
Annual Improvements
2011-2013 Cycle

Defined Benefit Plans: Employee Contributions
Amendments to a number of IFRSs

Amendments to a number of IFRSs

Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. 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 revenue analysis by products and revenue from steam supply and does not contain profit information by product line or profit from steam supply. The executive directors reviewed the gross profit of the Group as a whole reported under relevant accounting regulations of the PRC which has no significant differences as compared with gross profit reported under IFRSs. It was determined that the Group has only one single operating segment, being the manufacture and sales of aluminum products. As a result, no segment information is presented.

No segment assets, liabilities and other segment related information are presented as no such discrete financial information are provided to the chief operating decision maker.

4. REVENUE

The Group is principally engaged in the manufacture and sales of aluminum products.

The Group's revenue represents the amount received and receivable for sales of aluminium products and steam supply.

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue from sales of goods		
Aluminum products		
– molten aluminum alloy	19,829,562	14,283,778
– aluminum alloy ingots	1,195,628	2,210,904
– aluminum alloy processed products	1,385,355	810,400
Steam supply income	42,233	63,025
	22,452,778	17,368,107

5 OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest income	14,548	28,241
Net gain on sales of scrap materials and raw materials	159,897	109,768
Revenue from sales of slag of carbon anode blocks	193,380	105,907
Foreign exchange losses, net	(23,950)	(211,247)
Investment income from held-for-trading investment	–	(2,035)
Gain on disposal of property, plant and equipment	–	190
Gain from changes in fair value of held-for-trading financial liabilities	–	5,278
Others	25,603	65,012
	369,478	101,114

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest expenses on bank borrowings		
– wholly repayable within five years	471,771	526,338
Interest expenses on convertible bonds (<i>Note 20</i>)	46,532	59,502
Interest expenses on medium-term debentures	296,252	229,571
Interest expenses on short-term debentures	246,279	132,005
Interest expenses on other borrowings	6,945	10,091
Interest expenses on guaranteed notes (<i>Note 22</i>)	161,672	2,607
Less: amount capitalised under construction in progress	261,185	217,777
Total	968,266	742,337

Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 5.76% (six months ended 30 June 2014: 7.37%) per annum to expenditure on qualifying assets.

7. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	2,274,092	1,484,615
Cost of inventories recognised as an expense	17,134,098	13,488,703
Amortisation of prepaid lease payments	16,320	12,722
	<u>2,274,092</u>	<u>1,484,615</u>

8. INCOME TAX EXPENSE

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

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Income taxes		
Current income tax expense		
– Mainland China	1,081,171	748,987
– Hong Kong	145,249	5,443
Deferred income tax expense relating to origination and reversal of temporary differences	(4,517)	45,122
	<u>1,081,171</u>	<u>748,987</u>
Income tax expense recognised in statement of profit or loss	<u>1,221,903</u>	<u>799,552</u>

9. DIVIDEND

Dividends declared for distribution during the period:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
2014 final dividends – HK28 cents per share	1,367,956	–
2013 final dividends – HK27 cents per share	–	1,261,229
	<u>1,367,956</u>	<u>1,261,229</u>

During the current interim period, a final dividend of HK\$1,725,046,000 (equivalent to approximately RMB1,367,956,000), at HK28 cents per share in respect of the year ended 31 December 2014, based on 6,160,880,000 shares as at 31 December 2014 (six months ended 30 June 2014: HK\$1,588,950,000 (equivalent to approximately RMB1,261,229,000), at HK27 cents per share in respect of the year ended 31 December 2013) was declared to the owners of the Company.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 and six months ended 30 June 2014.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent of RMB2,718,123,000 (the six months ended 30 June 2014: RMB2,037,102,000), and the weighted average number of ordinary shares of 6,185,607,000 (the six months ended 30 June 2014: 5,885,000,000) in issue during the six months ended 30 June 2015.

As disclosed in Note 20, all Convertible Bonds have been converted into number of 207,335,810 ordinary shares during the period from 18 May 2015 to 30 June 2015 should the conversion have been taken place at the beginning of the period, no adjustment has been made to the basic earnings per share amounts presented for this period in respect of a dilution as the impact of convertible bonds outstanding had an anti-dilution effect on the basic earnings per share amounts presented.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group purchased property, plant and equipment approximately RMB1,221,901,000 (six months ended 30 June 2014: approximately RMB245,875,000), excluding property, plant and equipment transferred from CIP approximately RMB8,848,848,000 (six months ended 30 June 2014: RMB2,784,957,000), spent approximately RMB8,719,825,000 (six months ended 30 June 2014: RMB3,272,734,000) on the construction of its new product lines and power plant, and disposed machinery and equipment and motor vehicles with carrying amount of approximately RMB200,000 (six months ended 30 June 2014: RMB1,825,000).

The depreciation of the Group for the six months ended 30 June 2015 is approximately RMB2,274,092,000 (the six months ended 30 June 2014: RMB1,484,612,000).

Buildings with carrying amount of RMB1,436,329,000 (31 December 2014: RMB5,653,769,000) located in the PRC is in the process of obtaining the property certificate.

The Group has pledged certain property, plant and equipment as disclosed in Note (24).

12. INVENTORIES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Raw materials	6,655,321	7,637,518
Work in process	4,202,892	3,390,770
Finished goods	159,138	137,115
	<u>11,017,351</u>	<u>11,165,403</u>

At 30 June 2015, the carrying amounts of the Group were net of impairment provisions of RMB20,222,000 (31 December 2014: None).

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 following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	30 June 2015 RMB'000	31 December 2014 RMB'000
0-90 days	1,999,842	335,664
90-360 days	5,476	—
	<u>2,005,318</u>	<u>335,664</u>

14. BILLS RECEIVABLE

The credit period of bills receivable is normally no more than six months.

	30 June 2015 RMB'000	31 December 2014 RMB'000
Bills receivable	<u>5,318,912</u>	<u>2,466,183</u>

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
0-90 days	3,315,379	1,165,491
91-180 days	2,003,533	1,300,692
	<u>5,318,912</u>	<u>2,466,183</u>

The Group has pledged the bills receivable as disclosed in Note (24).

15. CASH AND CASH EQUIVALENTS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Cash and bank balances	6,712,867	7,676,335
Restricted bank deposits	471,141	829,789
	<u>7,184,008</u>	<u>8,506,124</u>
Less: Restricted bank deposits against:		
– Letters of credit	471,141	628,484
– Letters of guarantee	–	201,305
	<u>6,712,867</u>	<u>7,676,335</u>

Restricted bank deposits represent the Group's bank deposits pledged to banks for issuance of letter of credit and letter of guarantee.

The restricted bank deposits carry market interest rate of 0.35% to 3.3% per annum as at 30 June 2015 (2014: 0.35% to 3.85%).

Cash and bank balances at 30 June 2015 were mainly denominated in RMB which is not a freely convertible currency in the international market.

16. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for purchases of goods. The average credit period is 180 days.

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
0-180 days	4,435,643	2,413,892
181-365 days	4,241	6,160
1-2 years	6,917	5,248
Over 2 years	1,992	1,758
	<u>4,448,793</u>	<u>2,427,058</u>

17. OTHER PAYABLES

An analysis of other payables of the Group is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Payables on property, plant and equipment	4,659,659	4,211,755
Retention payables	2,146,120	1,713,132
Other payables and accruals	490,362	840,258
Advance from customers	254,509	314,366
Accrued payroll and welfare	172,808	175,161
Other tax payables	764,181	705,903
	<u>8,487,639</u>	<u>7,960,575</u>

18. BANK AND OTHER BORROWINGS

(a) Bank borrowings

	30 June 2015 RMB'000	31 December 2014 RMB'000
Secured bank borrowings (<i>Note i</i>)	–	594,969
Unsecured bank borrowings (<i>Note ii</i>)	16,804,403	15,423,414
Unsecured syndicated loans	5,368,586	3,466,069
	22,172,989	19,484,452
The total borrowings are repayable as follows (<i>Note iii</i>):		
Within one year	9,728,236	7,663,730
In the second year	5,494,726	5,161,418
In the third year	4,217,272	5,459,304
In the fourth year	2,732,755	–
In the fifth year	–	1,200,000
	22,172,989	19,484,452
Less: Amount due for settlement within one year and shown under current liabilities	9,728,236	7,663,730
Amount due after one year	12,444,753	11,820,722
Total borrowings		
– at fixed rates	4,256,253	4,850,138
– at floating rates	17,916,736	14,634,314
	22,172,989	19,484,452
Analysis of borrowings by currency:		
– denominated in RMB	9,635,250	8,608,012
– denominated in US\$	12,128,450	9,786,942
– denominated in HK\$	409,289	1,089,498
	22,172,989	19,484,452

Notes:

- i. The balance of borrowings amounting to RMB594,969,000 as at 31 December 2014 which are guaranteed by related party was included in secured bank borrowings.
- ii. The balance of borrowings amounting to RMB794,440,000 (31 December 2014: RMB550,711,000) which are guaranteed by non-controlling shareholders was included in unsecured bank borrowings.

The balance of borrowings which are guaranteed by related party was included in unsecured bank borrowings (note 27(d)).

- iii. The amounts due are based on scheduled repayment dates set out in the loan agreements. As at 30 June 2015 and 31 December 2014, no bank borrowings have contained a repayment on demand clause.

Fixed interest rate borrowings are charged at rates ranging from 1.7% to 7.8% (31 December 2014: 1.7% to 7.8%) per annum as at 30 June 2015.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China, and interest on borrowings denominated in US\$ and HK\$ at floating rates are calculated based on London Interbank Offered Rate and Hong Kong Interbank Offered Rate respectively.

The effective weighted average interest rate for the six months ended 30 June 2015 was 4.56% (2014: 5.41%) per annum.

(b) Other borrowings

As of 30 June 2015, the Company's subsidiary, Shandong Weiqiao Alumina & Power Ltd. ("Alumina & Power") pledged certain equipment to secure other borrowings of the Group with carrying amount amounting to RMB175,000,000 (31 December 2014: RMB235,000,000). And, during the six months ended 30 June 2015, the Group has repaid the other borrowings amounting to RMB60,000,000 (six months ended 30 June 2014: RMB45,000,000). The secured other borrowings was lent by RBS Leasing (China) Co., Ltd, an independent third party, for three years tenor with repayment in 12 installments and interest bearing at the PBOC benchmark rate plus 2% per annum. Alumina & Power has the right to purchase the pledged equipment after 3 years from RBS Leasing (China) Co., Ltd with nominal consideration of RMB1.

19. SHORT-TERM DEBENTURES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Short-term debentures	<u>9,000,000</u>	<u>7,000,000</u>

Pursuant to the approval [2013] No. CP216 issued by dated 24 May 2013, National Association of Financial Market Institutional Investors ("NAFMII") granted an approval to a wholly-owned subsidiary of the Company, Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") to issue short-term debentures with a maximum limit of RMB2,000,000,000 up to 24 May 2015.

On 22 September 2014, Shandong Hongqiao issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 22 September 2015. The debentures bear fixed interest at 5.96% per annum. Interest is payable annually in arrears.

On 6 March 2015, Shandong Hongqiao issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 5 March 2016. The debentures bear fixed interest at 5.72% per annum. Interest is payable annually in arrears.

Pursuant to the approval [2014] No. CP287 issued by NAFMII dated 21 July 2014, NAFMII granted an approval to a wholly-owned subsidiary of the Company, Shandong Hongqiao, to issue short-term debentures with a maximum limit of RMB3,000,000,000 up to 21 July 2016.

On 12 September 2014, Shandong Hongqiao issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 12 September 2015. The debentures bear fixed interest at 6.2% per annum. Interest is payable annually in arrears.

On 30 October 2014, Shandong Hongqiao issued the third tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 30 October 2015. The debentures bear fixed interest at 4.94% per annum. Interest is payable annually in arrears.

On 6 November 2014, Shandong Hongqiao issued the fourth tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 6 November 2015. The debentures bear fixed interest at 4.90% per annum. Interest is payable annually in arrears.

Pursuant to the approval [2014] No. PPN153 issued by NAFMII dated 25 March 2014, NAFMII granted an approval to Shandong Hongqiao to issue short-term debentures with a maximum limit of RMB3,000,000,000 up to 25 March 2016.

On 23 March 2015, Shandong Hongqiao issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 23 March 2016. The notes bear fixed interest at 6.80% per annum. Interest is payable annually in arrears.

On 10 April 2015, Shandong Hongqiao issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 10 April 2016. The notes bear fixed interest at 6.60% per annum. Interest is payable annually in arrears.

Pursuant to the approval [2015] No. SCP155 issued by NAFMII dated 29 May 2015, NAFMII granted an approval to a wholly-owned subsidiary of the Company, Alumina & Power, to issue short-term debentures with a maximum limit of RMB12,000,000,000 up to 29 May 2017.

On 9 June 2015, Alumina & Power issued the first tranche of the short-term debentures, of a principal amount of RMB2,000,000,000 with a maturity date of 5 March 2016. The debentures bear fixed interest at 5.00% per annum. Interest is payable annually in arrears.

20. CONVERTIBLE BONDS

On 10 April 2012, the Company issued a 6.5% Convertible Bond due 2017 in the aggregate principal amount of US\$150,000,000 (the “Convertible Bonds”). The Convertible Bonds are listed on Singapore Exchange Securities Trading Limited.

The principal terms of the Convertible Bonds are as follows:

(a) Optional conversion

The Convertible Bonds will, at the option of the holder (“Bondholders”), be convertible (unless previously converted, redeemed or purchased and cancelled) on or after 21 May 2012 up to and including 1 April 2017 into fully paid ordinary shares with a par value of US\$0.01 each at an initial conversion price (the “Conversion Price”) of HK\$7.27 per share and a fixed exchange rate of HK\$7.7623 to US\$1.00 (the “Prevailing Rate”). The Conversion Price is subject to adjustments in the manner set out in the Convertible Bonds agreement.

Final dividend of HK26 cents per share for the year ended 31 December 2012 was approved in the annual general meeting in May 2013. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK\$6.81 to HK\$6.33 effective from 27 May 2013.

As disclosed in Note 9, a final dividend of HK27 cents per share for the year ended 31 December 2013 was approved in the annual general meeting in May 2014. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK\$6.33 to HK\$5.98 effective from 9 June 2014.

As disclosed in Note 9, a final dividend of HK28 cents per share for the year ended 31 December 2014 was approved in the annual general meeting in May 2015. Pursuant to the Convertible Bonds Terms and Conditions, the Conversion Price per share will be adjusted from HK\$5.98 to HK\$5.56 effective from 8 June 2015.

(b) Redemption

Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the Convertible Bonds at the principal amount together with unpaid accrued interest thereon on 10 April 2017.

Redemption at the option of the Company

On giving not less than 30 nor more than 90 days’ notice, the Company may at any time after 10 April 2015 redeem all, but not some only, of the Convertible Bonds for the time being outstanding at the principal amount, together with interest accrued but unpaid to the date fixed for redemption, provided that the closing price of the shares translated into US\$ at the prevailing foreign exchange rate applicable to the relevant trading day for 20 out of 30 consecutive trading day prior to the date upon which notice of such redemption is published, was at least 130 percent of the principal amount of the Convertible Bonds divided by the Conversion Price.

On giving not less than 30 nor more than 60 days’ notice, the Company may redeem all, but not some only, of the Convertible Bonds for the time being outstanding at the principal amount, together with interest accrued to the date fixed for redemption provided that prior to the date of such notice at least 90 per cent in principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Redemption at the option of the Bondholders

The Company will at the option of the Bondholder, redeem all or some of the Convertible Bonds on 10 April 2015 at the principal amount together with interest accrued to the date fixed for redemption.

The Convertible Bonds comprised of two components:

- (i) Liability component is initially measured at fair value amounted to approximately RMB712,122,000. It is subsequently measured at amortised cost by applying an effective interest rate of 14.70% after considering the effect of the transaction costs.
- (ii) Derivative component comprise:
 - Redemption option of Bondholders;
 - Redemption option of the Company;
 - Conversion option of the Bondholders.

Transaction costs that relate to the issue of the Convertible Bonds are allocated to the liability and the derivative (including conversion option and redemption options) components in proportion to their relative fair values. Transaction costs amounting to approximately RMB6,854,000 relating to the derivative component were charged to profit or loss immediately. Transaction costs amounting to approximately RMB20,911,000 relating to the liability component are included in the carrying amount of the liability portion at initial recognition and amortised over the period of the Convertible Bonds using the effective interest method.

The derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm, Grant Sherman Appraisal Limited. The fair value of the derivative component is derived by deducting the fair value of the liability component from the fair value of Convertible Bonds as a whole which is calculated using Binomial Option Pricing Model. The major inputs used in the models as at the conversion date and 31 December 2014 were as follows:

	Conversion date	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note i)</i>	
Stock price	HK\$7.17-HK\$8.29	HK\$ 5.23
Conversion Price	HK\$5.56-HK\$5.98	HK\$ 5.98
Risk-free rate	0.528%-0.644%	0.770%
Expected life	1.28 years	2.28 years
Volatility	38.34%-40.17%	30.78%

Note:

As the redemption clause of the Convertible Bonds being triggered, all Convertible Bonds have been converted into Shares, during 18 May to 30 June 2015.

The risk free rates were determined with reference to the Hong Kong Exchange Fund Notes Yields. The expected life was estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the historical price volatilities of the Company.

The fair value of the liability component of the Convertible Bonds is derived by using discounted cash flow method. The discount rate is 4.157%~4.597% (31 December 2014: 5.32%) as at conversion date.

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

The movement of the liability and derivative component of the Convertible Bonds for the period is set out below:

	Liability component	Embedded financial derivative	Total
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
At 31 December 2014 and 1 January 2015	797,443	84,588	882,031
Interest charged during the period (<i>Note 6</i>)	46,532	–	46,532
Interest paid during the period	(38,369)	–	(38,369)
	<hr/>	<hr/>	<hr/>
Changes in fair value during the period	–	209,932	209,932
Derecognition of redeemable convertible loan	(805,606)	(294,520)	(1,100,126)
	<hr/>	<hr/>	<hr/>
As at 30 June 2015	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

According to the Condition 8(C) of the terms and conditions of the Bond set out in the Offering Circular of the Company (“Terms and Conditions”), in relation to the issue of the US\$150,000,000 6.5% Convertible Bonds due 2017, the Conversion Period of the Convertible Bonds issued by the Company commenced on 21 May 2012. During the Conversion Period and at any time after 10 April 2015, on giving not less than 30 nor more than 90 days’ notice to the Trustee and the holders of the Convertible Bonds, the Company may redeem all, but not some only, of the Convertible Bonds for the time being outstanding at a redemption price equals to their principal amount together with accrued but unpaid interest to the date fixed for redemption, if the closing price of the Shares, translated into US\$ at the prevailing exchange rate applicable to the relevant Stock Exchange Business Day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of principal amount of the Convertible Bonds divided by the Conversion Ratio.

From 17 April 2015 to 1 June 2015, the closing prices of the Shares of the Company for 20 trading days out of 30 consecutive trading days, translated into US\$ at the prevailing exchange rate applicable to the relevant Stock Exchange Business Day, have been higher than 130% of the principal amount of the Convertible Bonds divided by the Conversion Ratio as calculated pursuant to the Terms and Conditions, which has triggered the redemption clause of the Convertible Bonds.

Pursuant to Condition 6(A)(i) of the Terms and Conditions, conversion rights of the remaining holders attaching to any Convertible Bond may be exercised, at the option of the holders, until the close of business on 23 June 2015 (which is the date no later than 10 days prior to the Redemption Date).

Up to 30 June 2015, there was no outstanding Convertible Bonds and all Convertible Bonds have been converted into Conversion Shares as at the Redemption Date.

The Company has served notice to the Trustee and holders of the Convertible Bonds to redeem all outstanding Convertible Bonds on 3 July 2015 at a redemption price equals to the principal amount of the Convertible Bonds, together with accrued but unpaid interest up to such date.

21. MEDIUM-TERM DEBENTURES AND BONDS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Medium-term debentures and bonds – due within one year	1,500,000	1,500,000
Medium-term debentures and bonds – due after one year	9,421,786	6,742,686
Total	<u>10,921,786</u>	<u>8,242,686</u>

The Company's subsidiary, Shandong Hongqiao, applied to National Association of Financial Market Institutional Investors ("NAFMII") for issuing medium-term debentures of RMB3,000,000,000 to independent third party debenture holders.

On 7 December 2012, Shandong Hongqiao issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 7 December 2015. The debentures bear fixed interest at 5.80% per annum. Interest is payable annually in arrears.

On 25 January 2013, Shandong Hongqiao issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 25 January 2018. The debentures bear fixed interest at 6.30% per annum. Interest is payable annually in arrears.

The Company's subsidiary, Alumina & Power, applied to NAFMII for issuing medium-term debentures of RMB3,000,000,000 to independent third party debenture holders.

On 10 April 2013, Alumina & Power issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 10 April 2018. The debentures bear fixed interest at 5.80% per annum. Interest is payable annually in arrears.

On 9 May 2013, Alumina & Power issued the second tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 9 May 2018. The debentures bear fixed interest at 6.00% per annum. Interest is payable annually in arrears.

The Company's subsidiary Shandong Hongqiao, applied to National Development and Reform Commission ("NDRC") for issuing corporate bonds of RMB2,300,000,000 to independent third party bond holders.

On 3 March 2014, Shandong Hongqiao issued the first tranche of the corporate bonds, of a principal amount of RMB1,200,000,000 with a maturity date of 3 March 2021. The debentures bear fixed interest at 8.69% per annum. Interest is payable annually in arrears. The debentures are listed on the Shanghai Stock Exchange.

On 21 August 2014, Shandong Hongqiao issued the second tranche of the corporate bonds, of a principal amount of RMB1,100,000,000 with a maturity date of 21 August 2021. The debentures bear fixed interest at 7.45% per annum. Interest is payable annually in arrears. The debentures are listed on the Shanghai Stock Exchange.

The Company's subsidiary, Shandong Hongqiao, applied to NAFMII for issuing medium-term debentures of RMB2,700,000,000 to independent third party debenture holders.

On 22 April 2015, Shandong Hongqiao issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 22 April 2018. The debentures bear fixed interest at 5.60% per annum. Interest is payable annually in arrears.

On 14 May 2015, Shandong Hongqiao issued the second tranche of the medium-term debentures, of a principal amount of RMB1,200,000,000 with a maturity date of 14 May 2018. The debentures bear fixed interest at 5.20% per annum. Interest is payable annually in arrears.

22. GUARANTEED NOTES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Guaranteed notes	<u>4,247,619</u>	<u>4,246,601</u>

On 26 June 2014, the Company issued 7.625% guaranteed notes with the aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,461,120,000 (the “2017 Guaranteed Notes”) which are guaranteed by certain oversea subsidiaries of the Group. The 2017 Guaranteed Notes matures on 26 June 2017. The 2017 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2017 Guaranteed Notes, at any time or from time to time prior to the maturity date, the Company may at its option to redeem the notes at a redemption price set forth below.

Period	Redemption price
Prior to 26 June 2017	100% of the principal amount, plus the Applicable Premium as of, plus accrued and unpaid interest (<i>notes i & ii</i>)
Prior to 26 June 2017 Note iv	107.625% of the principal amount, plus accrued and unpaid interest (<i>note iii</i>)
Note v	101% of the principal amount, plus accrued and unpaid interest
Note v	100% of the principal amount, plus accrued and unpaid interest

Notes:

- (i) Applicable Premium means with respect to a note at any redemption date, the greater of (i) 1.00% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2017 Guaranteed Notes on 26 June 2017, plus all required remaining scheduled interest payments due on the 2017 Guaranteed Notes through 26 June 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.
- (ii) At any time prior to 26 June 2017, the Company may at its option redeem 2017 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (iii) At any time prior to 26 June 2017, the Company may redeem up to 35% of 2017 Guaranteed Notes, at a redemption price of 107.625% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

- (iv) Upon the occurrence of a change of control, the Company must make an offer to repurchase all 2017 Guaranteed Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.
- (v) In the event the Group are required to pay additional amounts as a result of certain changes in tax law, 2017 Guaranteed Notes may be redeemed, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest.

The carrying amount of the 2017 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US\$7,000,000 (equivalent to approximately RMB43,070,000) and the effective interest rate of the 2017 Guaranteed Notes is 8.30% per annum.

On 27 October 2014, the Company issued 6.875% guaranteed notes with the aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB1,845,750,000 (the “2018 Guaranteed Notes”) which are guaranteed by certain oversea subsidiaries of the Group. The 2018 Guaranteed Notes matures on 3 May 2018. The 2018 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

Period	Redemption price
Prior to 3 May 2018	100% of the principal amount, plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to the redemption date (notes vi & vii)
Prior to 3 May 2018	106.875% of the principal amount, plus accrued and unpaid interest (note viii)
Note ix	101% of the principal amount, plus accrued and unpaid interest
Note x	100% of the principal amount, plus accrued and unpaid interest

Notes:

- (vi) Applicable Premium means with respect to a note at any redemption date, the greater of (i) 1.00% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2018 Guaranteed Notes on 3 May 2018, plus all required remaining scheduled interest payments due on the 2018 Guaranteed Notes through 3 May 2018 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.
- (vii) At any time prior to 3 May 2018, the Company may at its option redeem 2018 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (viii) At any time prior to 3 May 2018, the Company may redeem up to 35% of 2018 Guaranteed Notes, at a redemption price of 106.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.
- (ix) Upon the occurrence of a change of control, the Company must make an offer to repurchase all 2018 Guaranteed Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

- (x) In the event the Group are required to pay additional amounts as a result of certain changes in tax law, 2018 Guaranteed Notes may be redeemed, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest.

The carrying amount of the 2018 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US\$4,500,000 (equivalent to approximately RMB27,686,000) and the effective interest rate of the 2018 Guaranteed Notes is 7.37% per annum.

23. SHARE CAPITAL

	Number of shares	Shares capital US\$
Authorised Ordinary shares of US\$0.01 each At 31 December 2014 and 30 June 2015	10,000,000,000	100,000,000
Issued and fully paid Ordinary shares of US\$0.01 each At 31 December 2014	6,160,880,000	61,608,800
Issued of new shares	207,335,810	2,073,358
At 30 June 2015	6,368,215,810	63,682,158

From 18 May 2015 to 30 June 2015, the Convertible Bonds have been converted at a redemption price. Up to 30 June 2015, all the Convertible Bonds converted to number of 207,335,810 shares. The remained carrying amount of Convertible Bonds amounting to RMB1,087,444,000 have been recognised as share premium.

The Company does not have any share option scheme.

24. PLEDGE OF ASSETS

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

	30 June 2015 RMB'000	31 December 2014 RMB'000
Restricted bank deposits	471,141	829,789
Bills receivable	–	359,672
Land use rights	–	30,621
Property, plant and equipment	341,684	356,468
	<u>812,825</u>	<u>1,576,550</u>

25. CAPITAL COMMITMENTS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	11,126,677	9,926,006
– authorised but not contracted for	13,338,838	12,080,188
	<u>24,465,515</u>	<u>22,006,194</u>
Capital expenditure in respect of acquisition of a company		
– authorised but not contracted for	<u>451,446</u>	<u>666,359</u>

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 30 June 2015 and 31 December 2014:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial assets at amortised cost:		
Trade receivable	2,005,318	335,664
Bills receivable	5,318,912	2,466,183
Financial assets included in Prepayments, deposits and other receivables	228,624	151,462
	<u>7,552,854</u>	<u>2,953,309</u>
Total		

Set out below is an overview of financial liabilities held by the Group as at 30 June 2015 and 31 December 2014:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Financial liabilities at amortised cost:		
Trade payables	4,448,793	2,427,058
Other payables	8,487,639	7,960,575
Dividends payables	2,531	1
Bank borrowings – due within one year	9,728,236	7,663,730
Other borrowings – due within one year	175,000	160,000
Short-term debentures	9,000,000	7,000,000
Medium-term debentures and bonds – due within one year	1,500,000	1,500,000
Convertible bonds – liability component	–	797,443
Bank borrowings – due after one year	12,444,753	11,820,722
Other borrowings-due after one year	–	75,000
Medium-term debentures and bonds – due after one year	9,421,786	6,742,686
Guaranteed notes	4,247,619	4,246,601
	<hr/>	<hr/>
Total	59,456,357	50,393,816
	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities at fair value through profit or loss		
Convertible bonds – derivative component	–	84,588
	<hr/> <hr/>	<hr/> <hr/>

(i) Fair values

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

(ii) Reconciliation of Level 3 fair value measurements

	Convertible bonds Derivative component RMB'000 (note)
As at 1 January 2014	67,554
Changes in fair value during the year	17,034
	<hr/>
As at 31 December 2014	84,588
Changes in fair value during the period	209,932
De-recognition	(294,520)
	<hr/>
As at 30 June 2015	–
	<hr/> <hr/>

Notes:

The Convertible Bonds issued by the Group are converted to equity at the end of the reporting period.

Changes in fair value during the period amounting to RMB209,932,000 relates to derivative component of Convertible Bonds issued by the Group.

Valuation methods and assumptions

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

27. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
山東魏橋創業集團有限公司 ("Chuangye Group") (note i)	note ii
濱州魏橋鋁業科技有限公司 ("Aluminum Technology") (note i)	Controlled by Chuangye Group

Notes:

- (i) The English names of the above companies are for reference only and have not been registered.
- (ii) Mr. Zhang Shiping, the director and the controlling shareholder of the ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group.

(b) The Group has entered into the following significant transactions with its related parties during the reporting period:

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Purchases of carbon anode blocks – Aluminum Technology	<u>156,002</u>	<u>166,320</u>
Sales of slag of carbon anode blocks – Aluminum Technology	<u>10,525</u>	<u>13,930</u>

(c) Compensation of key management personnel

	For the six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefit	2,856	3,154
Retirement benefits scheme contributions	<u>25</u>	<u>27</u>
	<u>2,881</u>	<u>3,181</u>

(d) Guarantees and security

	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Chuangye Group	<u>450,000</u>	<u>550,000</u>

(e) Balances with related party

	30 June	31 December
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payable – Aluminum Technology	<u>107,232</u>	<u>3,224</u>

The related party transactions mentioned above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

28. EVENTS AFTER THE REPORTING PERIOD

Other than events below, no significant event has taken place subsequent to 30 June 2015.

Pursuant to the approval [2015] No. SCP155 issued by NAFMII dated 29 May 2015, NAFMII granted an approval to a wholly-owned subsidiary of the Company, Alumina & Power, to issue short-term debentures with a maximum limit of RMB12,000,000,000 up to 29 May 2017.

On 8 July 2015, Alumina & Power issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 4 April 2016. The debentures bear fixed interest at 4.80% per annum. Interest is payable annually in arrears.

On 21 July 2015, Alumina & Power issued the third tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 17 April 2016. The debentures bear fixed interest at 4.18% per annum. Interest is payable annually in arrears.

On 28 July 2015, Alumina & Power issued the fourth tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 25 April 2016. The debentures bear fixed interest at 4.25% per annum. Interest is payable annually in arrears.

On 6 August 2015, Alumina & Power issued the fifth tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 3 May 2016. The debentures bear fixed interest at 3.95% per annum. Interest is payable annually in arrears.

Pursuant to the approval [2015] No. CP168 issued by NAFMII dated 29 May 2015, NAFMII granted an approval to a wholly-owned subsidiary of the Company, Alumina & Power, to issue short-term debentures with a maximum limit of RMB2,000,000,000 up to 29 May 2017.

On 14 July 2015, Alumina & Power issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 15 July 2016. The debentures bear fixed interest at 4.40% per annum. Interest is payable annually in arrears.

On 14 August 2015, Alumina & Power issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 17 August 2016. The debentures bear fixed interest at 3.90% per annum. Interest is payable annually in arrears.

Pursuant to the approval [2015] No. CP242 issued by NAFMII dated 10 August 2015, NAFMII granted an approval to a wholly-owned subsidiary of the Company, Shandong Hongqiao, to issue short-term debentures with a maximum limit of RMB2,000,000,000 up to 10 August 2017.

On 20 August 2015, Shandong Hongqiao issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 21 August 2016. The debentures bear fixed interest at 3.79% per annum. Interest is payable annually in arrears.

29. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 28 August 2015.

CHAIRMAN’S STATEMENT

To all shareholders,

On behalf of the Board (the “Board”) of directors (the “Directors”) of China Hongqiao Group Limited (“China Hongqiao” or the “Company”), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 (the “Period” or “Period under Review”).

MAKE PROGRESS TOWARDS A BRIGHT FUTURE WHILE MAINTAINING STABILITY

In the first half of 2015, although the global economy growth showed a trend of slowdown, the Chinese economy started to stabilize, and China’s aluminum industry continued to recover and saw a balance in strong demand and supply.

During the Period under Review, the international aluminum price indicated a slight downward trend in the first half of the year as the global aluminum production volume resumed growth. However, with the further transformation and upgrade of China’s aluminum industry and the continuous steady growth of the demand for aluminum products in the market, the domestic aluminum price remained stable in general.

In the first half of the year, China Hongqiao achieved major breakthroughs in various aspects by adhering to its stable development strategy. Being the industry leader, the Group actively pushed for technological innovations, promoted energy saving, continuously promoted the industrial model of “Integration of Aluminum, Electricity and Grid” and “Integration of Upstream and Downstream Business” and further consolidated its industrial chain advantage. As for overseas business, the Group ensured its stable supply of raw materials through the smooth progress of the bauxite project in the Republic of Guinea, Africa (“Guinea”).

BUSINESS PERFORMANCE

During the Period under Review, with outstanding cost advantage and core competitive strengths, the Group continued to maintain steady development. As of 30 June 2015, through construction and acquisition, the Group’s aggregate designed annual production capacity of aluminum products was approximately 4,536,000 tons (the corresponding period of 2014: approximately 3,136,000 tons), representing an increase of approximately 44.6% as compared to the corresponding period of 2014. The Group ranked as the largest aluminum product manufacturer in China (source of ranking: Antaike).

During the Period, the Group's revenue amounted to approximately RMB 22,452,778,000, representing a year-on-year increase of approximately 29.3%. The gross profit amounted to approximately RMB 5,236,102,000, representing a year-on-year increase of approximately 37.4%. The net profit attributable to owners of the Company amounted to approximately RMB2,718,123,000, representing a year-on-year increase of approximately 33.4%. Basic earnings per share were approximately RMB0.44 (corresponding period in 2014: approximately RMB0.35). The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2015.

EMBRACE NEW OPPORTUNITIES WITH FAR-REACHING OBJECTIVES

China's economy managed gradual yet stable and positive development and the demand for aluminum products by relevant domestic industries became increasingly robust in the first half of the year. Supported by the balance of strong demand and supply, domestic aluminum price had generally remained stable.

According to Antaike, during the first half of 2015, total production volume of primary aluminum was approximately 15,430,000 tons in China, representing a growth of approximately 13.0% as compared to the corresponding period of the previous year. The growth of production volume of China's primary aluminum products inclined to stabilize mainly due to the amplification effect of output reduction and the delay in the addition of production volume. The pressure from excessive production capacity of primary aluminum was further relieved as the Chinese government continued to strengthen its efforts into phasing out outdated production capacity. Moreover, with the development of municipal transports construction, electronics industry, machinery manufacturing, military industry and construction of affordable housing, domestic aluminum price was kept stable by strong demand for aluminum products. As the aluminum industry recovered on the whole, the domestic aluminum market is expected to continue to embark on a healthy track of sustainable development.

In the downstream industry, with the long-term initiative of the Chinese government's "One Belt, One Road" strategy for Asia and Europe, China's manufacturers have sped up exporting trail transit equipment to the international market, which has brought a huge market for high-end vehicles aluminum products and consolidated the global influence and competitiveness of China's aluminum manufacturers. With further development of aluminum alloy and aluminum processed products, aluminum products have become increasingly widely used in such downstream applications as transportation, machinery and electric power engineering, which has created tremendous market potential.

PROACTIVELY CONSOLIDATE THE GROUP'S DEVELOPMENT COMPETITIVENESS

Riding on the outlook for continuous growth of demand for aluminum products in the PRC, China Hongqiao not only maintained its advantage in industry cluster, but also laid a solid foundation for securing long-term and steady growth of the Group through achieving remarkable results in technology upgrade, energy-saving and emission-reduction and supply of bauxite.

Heeding the ban on export of 65 kinds of raw ore including bauxite by The Republic of Indonesia (“Indonesia”) in January 2014, the Group planned ahead and actively expanded its overseas raw materials procurement channel so as to ensure steady price and future supply of bauxite. While actively developing sources of supply of bauxite in countries including the Commonwealth of Australia, the Republic of India and the Federation of Malaysia, the Group also made substantive progress in the acquisition of a bauxite project in Guinea. The Group developed the bauxite mining project in Guinea together with other partners in 2014, which has obtained strong support from the local government departments. China Hongqiao also became the first Chinese enterprise which shipped bauxite mined under its leadership from Africa to China. Its mining will be conducive to steady raw material procurement and cost control of the Group, and consolidate its strengths to improve core competitiveness, and will also significantly lower potential risks caused by the fluctuations in the price, supply and demand of raw materials.

With respect to the technological innovation, the Group successfully operated the world's first full series 600KA aluminum product line in the first half of 2015. The product line is characterized by high unit productivity, low investment cost, low emission and high production efficiency, matching major international technical and economic standards.

WORK WITH PERSERVERANCE INTO THE FUTURE

Looking back into the first half of 2015's aluminum market, it is noted that aluminum price is getting stabilized and more positive signals have indicated the recovery of the global aluminum industry. China's aluminum market has embarked on a track of healthy development with a balance of supply and demand. The Group still holds an optimistic view towards the future of China's aluminum industry.

Looking ahead, the Group will adhere to its strategy of steady development by relying on its advantage of industry clusters brought by "Integration of Aluminum, Electricity and Grid" and the "Integration of Upstream and Downstream Business" and expediting the enhancement of cost advantage and economies of scale, so as to consolidate its leading position in China's aluminum industry. At the same time, the Group will further increase its investments in technological innovation and environmental protection, and strive for progress and breakthroughs in raw material supply, technology upgrade and energy saving.

The Group will further enhance its core competitiveness by paying close attention to policy directions, striving to seize market opportunities and actively coping with future challenges, in order to maintain a steady growth pace and achieve its steady, healthy and sustainable development, improve results of operation and create stable returns for its shareholders.

APPRECIATION

The stable development of the Group's business could not be achieved without the excellent and efficient management of the Group, the tireless efforts and dedication of all employees and the trust and support from all of the shareholders, investors and business partners. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of them.

Zhang Shiping

Chairman

28 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2015, due to the decrease in raw material prices and production costs, global aluminum production regained growth momentum and international demand was robust. At the end of June 2015, the three-month aluminum futures price quoted on the London Metal Exchange was US\$1,802 per ton, and the three-month aluminum futures price quoted on the Shanghai Futures Exchange was RMB13,114 per ton (value-added tax inclusive).

Domestic aluminum market showed a balance of strong demand and supply in the first half of the year. As production capacity continued to grow, China's aluminum industry structure became more rational and energy structure was optimized, with alumina production capacity distributed mainly in the areas of rich bauxite resources and port areas. In addition, aluminum producers in China continued to improve efficiency and lower energy consumption through improving technological process and upgrading equipment, making their smelting technology and equipment on par with international standard. On the other hand, China actively implemented its "One Belt, One Road" strategic plan and maintained great emphasis on infrastructure development, which, combined with the growth of other downstream sectors, has boosted domestic demand for aluminum.

According to Antaika, in the first half of 2015, global production volume of primary aluminum amounted to approximately 28,390,000 tons, representing an increase of approximately 7.7% as compared with the corresponding period of 2014. As for consumption, global consumption of primary aluminum reached approximately 28,420,000 tons in the first half of 2015, representing an increase of approximately 6.4% as compared with the corresponding period of the previous year. Compared to global market, China's aluminum market recorded higher growth of both supply and demand. In the first half of 2015, China's production volume of primary aluminum amounted to approximately 15,430,000 tons, representing an increase of approximately 13.0% as compared with the corresponding period of 2014. China's consumption of primary aluminum was approximately 14,720,000 tons, representing an increase of approximately 11.6% as compared with the corresponding period of the previous year.

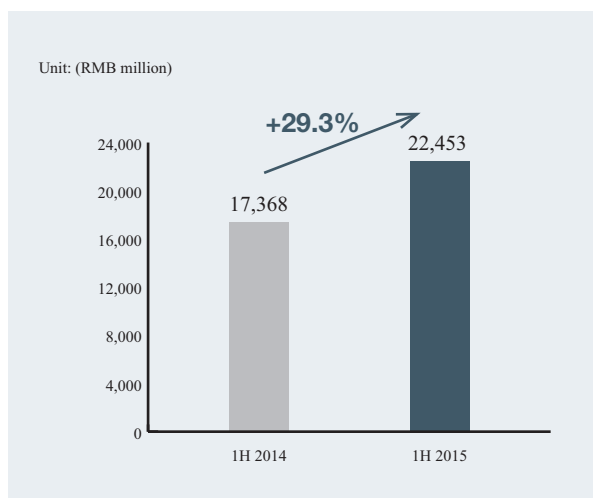
BUSINESS REVIEW

During the Period, the Group followed its established business plan to further expand the aluminum production capacity and extend the production chain, thereby enhancing its edge in the industry.

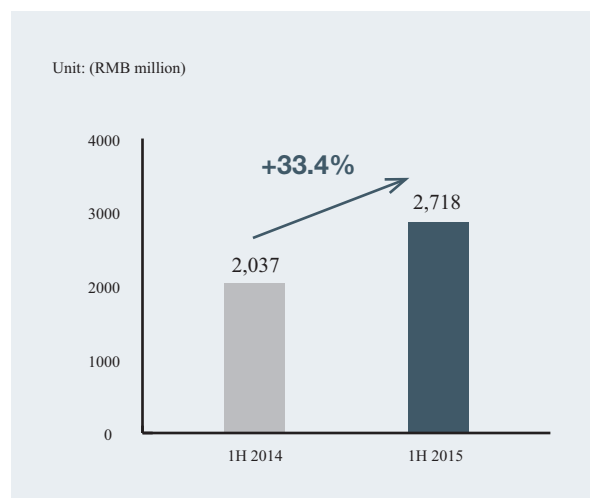
As of 30 June 2015, through construction or acquisition, the Group's aggregate designed annual production capacity of aluminum products reached approximately 4,536,000 tons (30 June 2014: approximately 3,136,000 tons), representing a year-on-year increase of approximately 44.6%. During the Period, given the expanding production capacity of aluminum products of the Group and the increasing demand from downstream markets, the Group's total output of aluminum products amounted to approximately 2,109,000 tons, representing a year-on-year increase of approximately 37.0%. Production volume of aluminum alloy processed products reached approximately 121,000 tons, representing a year-on-year increase of approximately 73.0%.

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2015, with comparison figures for the six months ended 30 June 2014, are as follows:

Unaudited revenue



Unaudited net profit attributable to owners of the Company



For the six months ended 30 June 2015, the Group recorded revenue of approximately RMB22,452,778,000, representing a year-on-year increase of approximately 29.3%, which was mainly due to the increases in the Group's production volume and sales volume of aluminum products compared with the corresponding period of the previous year, as a result of the gradual expansion of the Group's production capacity of aluminum products. During the Period, the aggregate sales volume of the Group's aluminum products and aluminum alloy processed products was approximately 2,028,131 tons, representing an increase of approximately 31.1% when compared to approximately 1,547,278 tons in the corresponding period of the previous year. The average sale price of the Group's aluminum products was approximately RMB11,050 per ton (excluding value-added tax) in the first half of 2015, remaining stable when compared with the corresponding period of the previous year.

For the six months ended 30 June 2015, the net profit attributable to owners of the Company amounted to approximately RMB2,718,123,000, representing a year-on-year increase of approximately 33.4%. It is because during the Period, while the average sale price of the Group's aluminum products remained stable year-on-year, the production volume and sales volume of its aluminum products increased with the gradual expansion of the Group's aggregate designed annual production capacity of aluminum products on one hand; on the other hand, the Group's purchase prices of ancillary materials for production such as coal and carbon anode blocks decreased and the ratio of self-supplied electricity increased, resulting in the decrease of the unit production cost of its aluminum products, which further led to the improvement in the gross profit of its aluminum products.

The tables below are a comparison of the breakdown of revenue by product for the six months ended 30 June 2015 and 2014, respectively:

	Unaudited			
	For the six months ended 30 June			
	2015		2014	
	Revenue	Proportion of sales revenue to total revenue	Revenue	Proportion of sales revenue to total revenue
	RMB'000	%	RMB'000	%
Molten aluminum alloy	19,829,562	88.3	14,283,778	82.2
Aluminum alloy ingots	1,195,628	5.3	2,210,904	12.7
Aluminum alloy processed products	1,385,355	6.2	810,400	4.7
Steam	42,233	0.2	63,025	0.4
Total	<u>22,452,778</u>	<u>100.0</u>	<u>17,368,107</u>	<u>100.0</u>

As for its products, the Group's revenue derived from aluminum products was approximately RMB22,410,545,000, accounting for approximately 99.8% of total revenue for the six months ended 30 June 2015, among which, the revenue derived from molten aluminum alloy accounted for approximately 88.3% of total revenue, representing an increase in percentage share as compared with the corresponding period of the previous year. The increase was mainly attributable to the increase in demand for aluminium products by industry clusters where the Group's production facilities are based which led to the increase in sales volume of molten aluminum alloy. Revenue derived from sales of steam was approximately RMB42,233,000, accounting for approximately 0.2% of the Group's total revenue. The decrease in revenue derived from sales of steam was mainly because the Group used more steam during the process of major raw materials production, thus the steam available for sale to third parties decreased accordingly.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis on the Group's revenue, gross profit and gross profit margin derived from its major products for the six months ended 30 June 2015 and 2014, respectively:

Products	Unaudited					
	For the six months ended 30 June					
	2015			2014		
Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	
Aluminum products	22,410,545	5,214,936	23.3	17,305,082	3,783,649	21.9
Steam	42,233	21,166	50.1	63,025	26,801	42.5
Total:	<u>22,452,778</u>	<u>5,236,102</u>	<u>23.3</u>	<u>17,368,107</u>	<u>3,810,450</u>	<u>21.9</u>

For the six months ended 30 June 2015, the overall gross profit margin of the Group's products increased by approximately 1.4 percentage points to approximately 23.3% as compared with approximately 21.9% for the corresponding period of the previous year. This was mainly because during the Period, while the sale price of aluminum products of the Group remained stable as compared to that for the corresponding period of the previous year, as the purchase prices of the Group's ancillary materials for production such as coal and carbon anode blocks decreased and its ratio of self-supplied electricity increased, the unit production cost of its aluminum products decreased, bringing a positive impact on the Group's overall gross profit margin.

Distribution and selling expenses

For the six months ended 30 June 2015, the Group's distribution and selling expenses were approximately RMB49,869,000, representing a decrease of approximately 10.3% as compared with approximately RMB55,623,000 for the corresponding period of the previous year, which was mainly attributable to the increase in the percentage of sales volume of the Group's molten aluminum alloy products during the Period and the unit price for transportation of molten aluminum alloy products was lower than other aluminum products, resulting in a decrease in the overall transportation costs.

Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2015 amounted to approximately RMB426,390,000, representing an increase of approximately 59.6% as compared with approximately RMB267,136,000 for the corresponding period of the previous year. Such increase was mainly due to an increase in the number of administrative staff and their remuneration brought by the expansion of the Group's production scale, as well as the Group's building of new plant, resulting in the increase in corresponding property tax and land use tax payables.

Finance costs

For the six months ended 30 June 2015, finance costs of the Group were approximately RMB968,266,000, representing an increase of approximately 30.4% as compared with approximately RMB742,337,000 for the corresponding period of the previous year. This was mainly due to an increase in total interest bearing liabilities as compared with the corresponding period of the previous year, resulting in an increase in interest expenses charged to the Group correspondingly.

Liquidity and financial resources

As of 30 June 2015, cash and cash equivalents of the Group were approximately RMB6,712,867,000, representing a decrease of approximately 12.6% as compared with that of approximately RMB7,676,335,000 as of 31 December 2014.

For the six months ended 30 June 2015, the Group had a net cash outflow from investing activities of approximately RMB9,711,466,000, a net cash inflow from financing activities of approximately RMB5,072,999,000 and a net cash inflow from operating activities of approximately RMB3,671,085,000.

For the six months ended 30 June 2015, the capital expenditure of the Group amounted to approximately RMB9,941,726,000, mainly for the expansion of its aluminum production capacity and construction projects of aluminum advanced processing facilities, ancillary captive power production facilities and the alumina production base in Indonesia.

As of 30 June 2015, the Group had a capital commitment of approximately RMB24,465,515,000, representing capital expenditure for acquiring property, plant and equipment in the future, primarily for the production capacity expansion of aluminum products, the construction of the aluminum advanced processing facilities and ancillary captive power production facilities and the alumina production base in Indonesia, as well as the bauxite mine project in Guinea, Africa.

For the six months ended 30 June 2015, the Group's average turnover days of trade receivables were approximately 9 days, representing an increase of 2 days as compared with approximately 7 days for the corresponding period of the previous year. This was mainly because in order to strengthen the business relations with premium clients of aluminium products, the Group granted provisional credit periods to some premium clients for its aluminum products, so that the Group's trade receivables turnover days increased from the corresponding period of last year but still remained at a low level in the industry.

For the six months ended 30 June 2015, the Group's turnover days of inventory were approximately 118 days, representing a decrease of 13 days as compared with approximately 131 days for the corresponding period of the previous year, mainly as a result of, on one hand, the Group's inventory of raw materials decreased while on the other hand, the prices of coal and carbon anode blocks remained at a low level in the first half of 2015, leading to a decline in the Group's overall inventory balance as compared with the beginning of the year.

Income tax

The Group's income tax for the first half of 2015 amounted to approximately RMB1,221,903,000, representing an increase of approximately 52.8% as compared with approximately RMB799,552,000 for the corresponding period of the previous year, which was mainly attributable to the increase of the Group's profit before taxation.

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

The net profit attributable to owners of the Company was approximately RMB2,718,123,000 for the six months ended 30 June 2015, representing an increase of approximately 33.4% as compared with approximately RMB2,037,102,000 for the corresponding period of the previous year. The basic earnings per share of the Company for the Period were approximately RMB0.44.

Interim dividends

The Board did not recommend any interim dividends for the six months ended 30 June 2015 (corresponding period in 2014: 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 its liquidity management requirements. Cash and cash equivalents of the Group amounted to approximately RMB6,712,867,000 as of 30 June 2015 (31 December 2014: approximately RMB7,676,335,000), which were mainly deposited with commercial banks. As of 30 June 2015, the total liabilities of the Group amounted to approximately RMB59,889,056,000 (31 December 2014: approximately RMB50,921,818,000). Gearing ratio (total liabilities to total assets) was approximately 63.1% (31 December 2014: approximately 61.1%).

As of 30 June 2015, the Group's total bank loans were approximately RMB22,172,989,000. The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As of 30 June 2015, approximately 19.2% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 80.8% were subject to floating interest rates.

The Group used certain restricted bank deposits, bill receivables, equipment and prepaid lease payments as collateral for its bank borrowings to finance part of its daily operations and project construction. As of 30 June 2015, the Group had settled all the secured bank borrowings (31 December 2014: approximately RMB594,969,000).

The Group aims to maintain a balance between the continuity and flexibility of funds through bank loans. As of 30 June 2015, approximately 43.9% of the Group's bank borrowings will become due within one year.

As at 30 June 2015, the Group's current liabilities exceeded its current assets by approximately RMB5,512,749,000. The Group will continue to develop other financing channels, increase part of the long-term and short-term borrowings and adjusting the structure of debts. In addition, the Group will properly control the capital expenditure, to sustain its existing production capacity advantage, control its production costs, improve its profitability and improve its cash flow position, so as to maintain the adequate liquidity of the Group. Having considered the fact that the Group did not encounter difficulty in renewal of the short-term liabilities of the Group upon maturity, the Board is satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

As of 30 June 2015, the Group's bank borrowings were mostly denominated in RMB, US dollars and HK dollars, accounting for approximately 43.5%, 54.7% and 1.8% of the total bank borrowings, respectively. Cash and cash equivalents were mainly held in RMB and US dollars, of which approximately 95.4% was held in RMB and approximately 4.2% was held in US dollars.

On 30 June 2015, debts other than bank borrowings of the Group included RMB9,000,000,000 of short-term notes, approximately RMB10,921,786,000 of medium-term notes and bonds and approximately RMB4,247,619,000 of preferred notes with interest rates ranging from 4.90% to 8.69% per annum. The issuance of such notes and bonds helps to reduce the Group's finance costs and optimize its debt structure.

Employee and remuneration policy

As of 30 June 2015, the Group had a total of 56,638 employees, representing an increase of 16,617 employees as compared with the corresponding period of the previous year. As a result of the expansion of the Group's production capacity during the Period, the Group recruited additional staff to meet the requirements of its production and enrich its reserve of human resources at the same time. During the Period, total staff costs of the Group amounted to approximately RMB1,396,004,000, representing approximately 6.2% of its total revenue. The remuneration packages of the employees include salary and various types of benefits.

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

Exposure to foreign exchange risk

The Group collected almost all of the revenue in RMB and funded most of the capital expenditure in RMB. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is exposed to certain currency risks. As of 30 June 2015, the Group's bank balances denominated in foreign currencies were approximately RMB308,105,000 and its debts denominated in foreign currencies were approximately RMB16,785,358,000. For the six months ended 30 June 2015, the Group recognized foreign exchange loss of approximately RMB23,950,000.

Contingent liabilities

As of 30 June 2015, the Group did not have any contingent liabilities.

OUTLOOK

China Hongqiao believes that as the aluminum market in China gradually entering into the right track with a balance of supply and demand, it will bring new development opportunities as well as challenges to aluminum manufacturers in China. By keeping pace with the changing market development, the Group will strive to solidify its industry-leading competitive strengths and precisely capture future development opportunities as might arise.

For “Integration of Aluminum, Electricity and Grid”, the Group successfully established the world's first full series 600KA aluminum product line, making a major breakthrough in saving power consumption during the year. Being the industry leader, the Group will put greater efforts into technological innovations, upgrade of production equipment and environment protection. During the Period, the new generators with aggregate installed capacity of 1,380MW caused the Group's ratio of self-supplied electricity to further increase to approximately 80.7%. The Group will continue to expand the size of its self-owned power plants and raise its ratio of self-supplied electricity, in order to further control its production costs and enhance its market competitiveness, with the aim of reaching a ratio of self-supplied electricity of 100%.

In terms of “Integration of Upstream and Downstream Businesses”, the Group was able to expand its channels of raw material supply. The Group made substantive progress in the joint development of a bauxite mine in Guinea, Africa with other partners. Its mining will be conducive to steady raw material procurement and cost control and will also help lower potential risks caused by the fluctuations in the price and supply of raw materials. The Group will continue making active efforts to stabilize the supply of raw materials of the Group. On the other hand, the Group will also continue to extend its downstream industry chain to create diversified income stream, and will improve its aluminum processing capability to consolidate its strengths and increase core competitiveness, which will in turn help the Group to realize long-term economic benefits.

In the face of ever-changing market environment, China Hongqiao will actively implement its long-term development strategies to cope with market demand and changes in time. While striving to maintain steady growth, the Group will thoroughly consider the market situation to lay a steady foundation for

future development and endeavour to achieve sustainable development, with the goal of becoming a large-scale comprehensive aluminum product manufacturer with leading cost advantage and a vertically integrated industry chain.

SUPPLEMENTARY INFORMATION

SUBSTANTIAL SHAREHOLDERS, INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2015, so far as it is known to any Director or chief executive of the Company, the following persons and corporations (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) pursuant to provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”) (Chapter 571 of the Laws of Hong Kong), 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 as follows:

Long positions in the shares of the Company

Name of shareholder	Capacity/type of interest	Total number of shares held	Approximate percentage of shareholding in the total issued share capital as of 30 June 2015 (%)
Mr. ZHANG Shiping ⁽¹⁾	Interest of a controlled corporation	5,000,000,000	80.82
Ms. ZHENG Shuliang ⁽²⁾	Spouse	5,000,000,000	80.82
Prosperity Eastern Limited ⁽³⁾	Trustee	5,000,000,000	80.82
China Hongqiao Holdings Limited (“Hongqiao Holdings”)	Beneficial owner	5,000,000,000	80.82

Note (1): Mr. ZHANG Shiping 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.

Note (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.

Note (3): Prosperity Eastern Limited held these shares as trustee on behalf of Mr. ZHANG Shiping.

Save as disclosed above, as of 30 June 2015, no other person had any share, interest in shares 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 OF THE COMPANY

As of 30 June 2015, the Directors and chief executive of the Company had the following interests or 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 SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be 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 the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in the total issued share capital as of 30 June 2015 (%)
Mr. ZHANG Shiping ⁽¹⁾	Interest of a controlled corporation	5,000,000,000	80.82
Ms. ZHENG Shuliang ⁽²⁾	Spouse	5,000,000,000	80.82

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

Note (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 2015, none of the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 had or were deemed or taken to have an interest or short position 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 was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2015 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 was 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 (the "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 28 August 2015 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015. The Audit Committee considers that the interim financial results for the six months ended 30 June 2015 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 throughout the six months ended 30 June 2015 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 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 2015 and up to the date of this announcement.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Company has applied the principles as set out in the Corporate Governance Practice Code (“CG Code”) contained in Appendix 14 of the Listing Rules. For the six months ended 30 June 2015, the Company has complied with the mandatory provisions of the CG Code.

CONVERTIBLE BONDS

Pursuant to the announcement of the Company issued on 21 March 2012 in relation to the proposed issue of US\$150,000,000 6.5% convertible bonds due 2017, all conditions precedent under the Subscription Agreement have been satisfied (or waived) and completion of the Subscription Agreement took place on 10 April 2012. For further details, please refer to the abovementioned announcement.

Approval has been granted for the listing of the convertible bonds on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The convertible bonds have been listed and quoted on the SGX-ST with effect from 9:00 a.m. 11 April 2012. The SGX-ST’s approval in-principle granted for the listing of the convertible bonds is not to be taken as an indication of the merits of the convertible bonds. Approval for the listing of, and permission to deal in, the conversion shares has been granted by the Hong Kong Stock Exchange.

Pursuant to the announcement of the Company dated 3 July 2015 in relation to completion of redemption of convertible bonds due 2017, there are no outstanding convertible bonds and all convertible bonds had been converted to conversion shares on or before the date of redemption. Such conversion shares were issued and allotted under a general mandate granted to the Directors at the annual general meeting held on 19 May 2015.

SENIOR NOTES

The Company issued 7.625% senior notes due 2017 with an aggregate principal amount of US\$400,000,000 on 26 June 2014, details of which are set out in the Company’s announcements dated 16 June 2014, 20 June 2014 and 30 June 2014.

The Company issued 6.875% senior notes due 2018 with an aggregate principal amount of US\$300,000,000 on 27 October 2014, details of which are set out in the Company’s announcements dated 27 October 2014 and 6 November 2014.

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

The electronic version of this announcement will be published on the website of the Hong Kong 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 21 September 2015 and will be available on the Company's website and the website of the Hong Kong Stock Exchange at the same time.

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

Shandong, the People's Republic of China
28 August 2015

As at the date of this announcement, the Board comprises eight directors, namely Mr. Zhang Shiping, Ms. Zheng Shuliang and Mr. Zhang Bo as executive directors, Mr. Yang Congsen and Mr. Zhang Jinglei as non-executive directors, and Mr. Chen Yinghai, Mr. Xing Jian and Mr. Han Benwen as independent non-executive directors.