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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 2022

RESULTS HIGHLIGHTS

- Revenue increased by approximately 31.0% to approximately RMB68,738,652,000 as compared with the corresponding period last year
- Gross profit decreased by approximately 5.0% to approximately RMB14,955,187,000 as compared with the corresponding period last year
- Profit for the Period increased by approximately 3.1% to approximately RMB8,685,276,000 as compared with the corresponding period last year
- Net profit attributable to shareholders of the Company decreased by approximately 3.6% to approximately RMB7,846,289,000 as compared with the corresponding period last year
- Basic earnings per share decreased by approximately 5.9% to approximately RMB0.850 as compared with the corresponding period last year
- The Board declares an interim dividend for 2022 of HK41.0 cents per share (six months ended 30 June 2021: HK45.0 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	4	68,738,652	52,480,549
Cost of sales		(53,783,465)	(36,744,779)
Gross profit		14,955,187	15,735,770
Other income and gains		1,606,697	1,505,898
Selling and distribution expenses		(301,894)	(260,384)
Administrative expenses		(3,060,161)	(2,551,569)
Other expenses	5	(197,355)	(104,172)
Finance costs		(1,651,885)	(1,889,582)
Changes in fair value of financial instruments	6	(346,843)	(1,165,521)
Share of profits of associates		226,849	11,641
Share of loss of a joint venture		–	(5,409)
Profit before taxation		11,230,595	11,276,672
Income tax expense	7	(2,545,319)	(2,852,955)
Profit for the period		8,685,276	8,423,717
Profit for the period attributable to:			
Owners of the Company		7,846,289	8,142,519
Non-controlling interests		838,987	281,198
		8,685,276	8,423,717

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense) for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		209,952	(38,580)
Share of other comprehensive income (expense) of associates		160,548	(11,330)
		<u>370,500</u>	<u>(49,910)</u>
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		(83,260)	(66,094)
		<u>8,972,516</u>	<u>8,307,713</u>
Total comprehensive income for the period, net of income tax		8,972,516	8,307,713
Total comprehensive income for the period attributable to:			
Owners of the Company		8,051,588	8,041,452
Non-controlling interests		920,928	266,261
		<u>8,972,516</u>	<u>8,307,713</u>
Earnings per share			
	9		
– Basic (RMB)		0.850	0.903
		<u>0.850</u>	<u>0.903</u>
– Diluted (RMB)		0.850	0.903
		<u>0.850</u>	<u>0.903</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	63,065,008	63,441,945
Right-of-use assets		6,420,464	5,718,365
Intangible assets		35,647	32,595
Investment properties		3,729	3,808
Deposits paid for acquisition of property, plant and equipment		650,907	636,493
Deferred tax assets		2,955,116	2,616,950
Interests in associates		6,901,704	6,064,998
Loan to an associate		2,000,000	2,000,000
Goodwill		278,224	278,224
Financial asset at amortised cost	14	2,499,000	2,499,000
Financial assets at fair value through other comprehensive income	11	975,646	1,058,906
Prepayments		–	541,210
		85,785,445	84,892,494
CURRENT ASSETS			
Inventories	12	30,483,322	22,705,105
Trade receivables	13	8,455,791	7,284,753
Bills receivables		9,290,465	11,918,515
Prepayments and other receivables		8,141,785	10,768,496
Other financial asset		4,148	99
Income tax recoverable		–	304
Restricted bank deposits		1,710,396	1,623,874
Cash and cash equivalents		49,222,961	49,227,282
		107,308,868	103,528,428

		As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	15	17,581,110	18,735,216
Other payables and accruals		12,618,472	11,479,959
Bank borrowings – due within one year		28,957,083	21,010,873
Other financial liabilities		2,041	4,497
Lease liabilities		17,612	10,372
Liability component of convertible bonds			
– due within one year		602,851	1,358,611
Derivatives component of convertible bonds			
– due within one year		314,583	713,086
Income tax payable		2,429,084	2,719,910
Short-term debentures and notes		1,500,000	1,500,000
Medium-term debentures and bonds – due within one year		1,096,365	3,598,649
Guaranteed notes – due within one year		3,351,795	1,908,945
Deferred income		26,477	26,514
		<u>68,497,473</u>	<u>63,066,632</u>
NET CURRENT ASSETS		<u>38,811,395</u>	<u>40,461,796</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>124,596,840</u>	<u>125,354,290</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		7,980,915	15,370,878
Lease liabilities		57,484	51,359
Liability component of convertible bonds – due after one year		1,744,475	1,633,747
Derivatives component of convertible bonds – due after one year		583,997	241,270
Deferred tax liabilities		485,576	813,998
Medium-term debentures and bonds – due after one year		11,997,523	9,544,944
Guaranteed notes – due after one year		3,323,141	4,423,886
Deferred income		826,608	835,379
		<u>26,999,719</u>	<u>32,915,461</u>
NET ASSETS		<u>97,597,121</u>	<u>92,438,829</u>
CAPITAL AND RESERVES			
Share capital	16	608,925	595,139
Reserves		<u>85,308,518</u>	<u>80,712,656</u>
Equity attributable to owners of the Company		<u>85,917,443</u>	<u>81,307,795</u>
Non-controlling interests		<u>11,679,678</u>	<u>11,131,034</u>
TOTAL EQUITY		<u>97,597,121</u>	<u>92,438,829</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the IASB.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except as disclosed below.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning on 1 January 2022.

Amendments to IFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual improvement to IFRSs 2018 – 2020 cycle

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

4. REVENUE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	44,912,495	35,945,132
– aluminum alloy ingot	5,548,575	2,411,289
– aluminum fabrication	7,087,062	5,779,260
– alumina products	10,706,214	7,920,530
Steam supply income	484,306	424,338
	68,738,652	52,480,549

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Geographical region</i>		
The PRC	64,453,287	50,698,716
India	621,468	378,113
Europe	1,369,673	509,335
Malaysia	70,829	104,568
Other Southeast Asia region	1,070,580	365,039
North America	901,689	290,063
Others	251,126	134,715
Total	68,738,652	52,480,549
<i>Type of customers</i>		
Government related	221	179
Non-government related	68,738,431	52,480,370
Total	68,738,652	52,480,549

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

5. OTHER EXPENSES

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of other receivables	–	2,940
Impairment loss recognised in respect of property, plant and equipment	112,874	88,913
Write-down of inventories to net realisable value	84,481	12,319
	<u>197,355</u>	<u>104,172</u>

6. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Changes in fair values arising from:		
– capped forward contract	2,456	(594)
– interest rate swap contract	4,049	1,889
– derivatives component of convertible bonds	(353,348)	(1,166,816)
	<u>(346,843)</u>	<u>(1,165,521)</u>

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	–	–
– Indonesia Corporate Tax	120,613	28,638
– PRC Enterprise Income Tax	3,061,227	2,739,255
– Withholding tax paid	30,067	–
	<u>3,211,907</u>	<u>2,767,893</u>
Deferred taxation	<u>(666,588)</u>	<u>85,062</u>
Total income tax expense for the period	<u>2,545,319</u>	<u>2,852,955</u>

8. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period	4,712,320	3,809,305

During the current interim period, a final dividend of HK60 cents per share in respect of the year ended 31 December 2021 (2021: a final dividend of HK50 cents per share in respect of the year ended 31 December 2020) has been approved and paid.

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK41 cents per share, amounting to approximately HK\$3,826,963,000 will be paid. The amount of interim dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information, has not been recognised as a liability in the interim condensed consolidated financial information.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	7,846,289	8,142,519
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	–	–
Changes in fair values of derivatives component of convertible bonds	–	–
Exchange loss on translation of liability component of convertible bonds	–	–
Earnings for the purpose of diluted earnings per share	7,846,289	8,142,519

	Six months ended 30 June	
	2022	2021
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,227,753	9,019,319
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,227,753	9,019,319

The computation of diluted earnings per share for the six months ended 30 June 2022 and 2021 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group purchased property, plant and equipment of approximately RMB2,722,252,000 (six months ended 30 June 2021: RMB2,408,479,000), excluding transferred from construction in progress of approximately RMB3,482,705,000 (six months ended 30 June 2021: RMB676,441,000), and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB318,271,000 (six months ended 30 June 2021: RMB156,592,000).

During the six months ended 30 June 2022, the Group also spent approximately RMB2,103,755,000 (six months ended 30 June 2021: RMB2,378,478,000) on the construction of its new product lines and power plant.

The depreciation of the Group for the six months ended 30 June 2022 is approximately RMB2,968,332,000 (six months ended 30 June 2021: RMB3,258,791,000).

During the six months ended 30 June 2022, due to certain new local incentive policy launched, the directors of the Company conducted a study and determined that certain manufacturing plants can be relocated to enjoy such benefit. Accordingly, impairment loss of approximately RMB112,874,000 have been recognised in respect of the existing plant facilities that subject to relocation plan. The recoverable amount of relevant property, plant and equipment was determined on the basis of their fair value less costs of disposal.

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

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each cash generating unit ("CGU"). The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets. The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuations carried out on 30 June 2022 and 2021 were performed by Wanlong (Shanghai) Assets Assessment Co., Ltd ("**Wanlong**"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations.

At 30 June 2022, certain of the Group's buildings with a net carrying amount of approximately RMB11,848,179,000 (31 December 2021: RMB11,803,565,000) were pledged to secure bank borrowings of the Group.

There are properties with a carrying amount of approximately RMB4,725,285,000 (31 December 2021: RMB4,511,766,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income (“FVTOCI”) comprise:

	As at 30 June 2022 RMB’000 (Unaudited)	As at 31 December 2021 RMB’000 (Audited)
Equity instrument as at FVTOCI		
– Listed	824,415	904,278
– Unlisted	151,231	154,628
	975,646	1,058,906

Investments in listed equity securities represent the Group’s investment in Bank of Jinzhou Co., Ltd and Weihai City Commercial Bank Co., Ltd, companies listed in Hong Kong, of approximately RMB131,872,000 (31 December 2021: RMB179,332,000) and RMB692,543,000 (31 December 2021: RMB724,946,000) respectively.

Bank of Jinzhou Co., Ltd engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. Weihai City Commercial Bank Co., Ltd engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services.

Investment in unlisted equity security represents the Group’s investment in unlisted equity security issued by a private entity established in the PRC of approximately RMB151,231,000 (31 December 2021: RMB154,628,000). The private entity is engaged in casting aluminum alloy, aluminum sheet, strip, foil, car wheel, casting steel and casting iron, along with trade and logistics.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

12. INVENTORIES

At 30 June 2022, the carrying amounts of the Group's inventories were net of provision of impairment of approximately RMB267,492,000 (31 December 2021: RMB200,627,000).

During the period, the allowance for inventories of approximately RMB84,481,000 (six months ended 30 June 2021: RMB12,319,000) has been recognised and included in other expenses.

During the period, inventories previously impaired were sold at profit or used. As a result, a reversal of provision of approximately RMB17,616,000 (six months ended 30 June 2021: RMB35,352,000) has been recognised and included in other income and gains in the current period.

13. TRADE RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	8,462,572	7,292,695
Less: allowance for impairment loss	<u>(6,781)</u>	<u>(7,942)</u>
	<u>8,455,791</u>	<u>7,284,753</u>

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 3 months	7,091,753	5,667,769
3 to 12 months	1,360,761	1,613,686
12 to 24 months	<u>3,277</u>	<u>3,298</u>
	<u>8,455,791</u>	<u>7,284,753</u>

14. FINANCIAL ASSET AT AMORTISED COST

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Financial asset at amortised cost		
Collective investment trust (<i>note</i>)	<u>2,499,000</u>	<u>2,499,000</u>

Note: The collective investment trust represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. 中信信托有限責任公司 and will be matured on 3 January 2025. The asset income trust carries fixed interest rate of 5.78% per annum.

15. TRADE AND BILLS PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	15,276,330	16,279,406
Bills payables	<u>2,304,780</u>	<u>2,455,810</u>
	<u>17,581,110</u>	<u>18,735,216</u>

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 6 months	14,494,572	15,981,498
6 to 12 months	488,308	159,869
1 to 2 years	190,886	82,229
More than 2 years	<u>102,564</u>	<u>55,810</u>
	<u>15,276,330</u>	<u>16,279,406</u>

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

16. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2022 US\$	31 December 2021 US\$	30 June 2022 US\$	31 December 2021 US\$
Authorised:				
Ordinary shares of US\$0.01 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
	30 June 2022 US\$	31 December 2021 US\$	30 June 2022 US\$	31 December 2021 US\$
Issued and fully paid:				
Ordinary shares of US\$0.01 each	<u>9,334,055,509</u>	<u>9,121,352,349</u>	<u>93,340,555</u>	<u>91,213,523</u>
			Number of shares	Share Capital RMB'000
Issued and fully paid:				
At 1 January 2021			8,878,352,349	579,318
Issue of shares upon share subscription (<i>note (i)</i>)			<u>243,000,000</u>	<u>15,821</u>
At 30 June 2021, 31 December 2021 and 1 January 2022			9,121,352,349	595,139
Issue of shares upon conversion of 2017 CBS (<i>note (ii)</i>)			<u>212,703,160</u>	<u>13,786</u>
At 30 June 2022			<u>9,334,055,509</u>	<u>608,925</u>

Notes:

- (i) On 18 March 2021, 243,000,000 ordinary shares of US\$0.01 each were issued and allotted at a price of HK\$9.72 per share, raising a total proceeds of approximately RMB1,971,811,000, net of share issue expense of approximately RMB31,701,000.
- (ii) During the six months ended 30 June 2022, convertible bonds with principal amounts of US\$55,000,000 and US\$98,600,000 was converted into 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK\$5.41 and HK\$5.79 per ordinary share, respectively.

The Company does not have any share option scheme.

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

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

17. COMMITMENTS

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	<u>2,435,632</u>	<u>1,618,260</u>

CHAIRMAN'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China Hongqiao Group Limited, I hereby present the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 (the “**Period**” or “**Period under Review**”).

In the first half of 2022, as a result of impacts from adverse factors such as repeated outbreaks of the COVID-19 pandemic (the “**Pandemic**”) and the ongoing conflict between Russia and Ukraine, the global imbalance between supply and demand intensified while inflation levels rose significantly, leaving the global economy with greater downward pressure. On the domestic front, faced with multiple challenges brought about by an increasingly complex and severe international environment and the recurrence of the Pandemic, the Chinese government continuously bolstered its efforts on macroeconomic policy adjustments and the economy operated in a stable manner as a whole. According to the data published by the National Bureau of Statistics of China, the total retail sales of consumer goods in China in the first half of 2022 was approximately RMB21.0 trillion, representing a year-on-year decrease of approximately 0.7%.

During the Period under Review, the global supply of primary aluminum faced serious challenges. On the one hand, the regional energy crisis caused a massive reduction in production by overseas aluminum manufacturers. On the other hand, the Russia-Ukraine conflict also drove the production increase of overseas primary aluminum during the Period to fall short of expectations, resulting in a reduction in overseas primary aluminum supply. With greater downward pressure on the economy, consumption also exhibited weak growth. The domestic production of aluminum products in China generally maintained a stable growth during the Period, but the demand for aluminum products declined due to the sporadic outbreak of the Pandemic over a long period of time. As the PRC economy undergoes transition and upgrading, the demand for aluminum in the traditional construction and real estate sectors decreased despite remaining generally stable, while certain aluminum such as those for transportation, power electronics and packaging have all continued to deliver growth momentum. In particular, the lightweighting of new energy vehicles has become an important driver for the growth in demand for aluminum and aluminum applications.

Looking back at the first half of 2022, in the face of the ever-changing market situation caused by the recurrent outbreaks of the Pandemic at home and abroad coupled with the unstable geopolitical situation, the Group adhered to the general objective of seeking progress in stability, maintained its unwavering confidence and proactiveness in striving for developments and continued its stable and high-quality development.

During the Period, with the theme of “green development, environmental protection and ultra-low emission” and a focus on fields such as “green smart manufacturing, technological innovation and public charity”, the Group continued to promote corporate transformation and upgrading, improve its core competitiveness and enhance its ability to contribute to society. During the Period, Zouping Hongfa Aluminum Technology Co., Ltd. (鄒平宏發鋁業科技有限公司) (“**Hongfa Aluminum**”), a subsidiary of the Company, was included in the 2022 Green Factory Demonstration List of the Shandong Province and was awarded the “2022 EcoVadis Corporate Social Responsibility Achievement” medal, recognising Hongfa Aluminum’s certification for their efforts in certain areas of corporate social responsibility such as environmental protection, business ethics and sustainable procurement. Shandong Hongqiao New Material Co., Ltd. (山東宏橋新型材料有限公司) (“**Shandong Hongqiao**”), a subsidiary of the Company, was recognised as a national-level green factory of 2021, once again standing out from many production companies. The Group has steadfastly implemented its lightweight strategy. Following the launch of a series of integrated automotive lightweighting research and development projects in 2021, the Group continued to strengthen the construction of its lightweighting base during the Period to promote industrial clustering and innovation of industrial ecology, and further upgraded the lightweighting base to build a lightweight engineering centre.

Further, the Group continued to develop recycled aluminum through the Sino-German Hongshun Circular Technology Industrial Park project, adjusting the product structure, promoting the re-engineering of the industry chain and enhancing the value chain and continuing to make new contributions to the shaping of a local aluminum brand and a high-end aluminum cluster of the world. At the same time, the Group also continued to promote the construction and commissioning of the Yunnan Green Aluminum Innovation Park in a steady and orderly manner by continuing the transfer of production capacity and relying on the advantages of Yunnan’s abundant resources in hydropower and photovoltaic power generation, and has currently formed a power supply pattern deploying multiple energy sources and with an increasing proportion of green energy. As for overseas business, the Group insisted on open integration and steadily promoted the construction of overseas projects, striving to create a new landscape of international operation. The Indonesia alumina project has maintained a stable production of the first phase with an output of one million tons, while the production line of the second phase with capacity of a further one million tons commenced during the Period.

During the Period under Review, the Group’s revenue amounted to approximately RMB68,738,652,000, representing a year-on-year increase of approximately 31.0%; gross profit amounted to approximately RMB14,955,187,000, representing a year-on-year decrease of approximately 5.0%; net profit attributable to shareholders of the Company amounted to approximately RMB7,846,289,000, representing a year-on-year decrease of approximately 3.6%; and basic earnings per share amounted to approximately RMB0.850 (the corresponding period of 2021: approximately RMB0.903). The Board resolved payment of an interim dividend of HK41.0 cents per share for 2022 (the corresponding period of 2021: HK45.0 cents).

In respect of the capital market, the Group has continued to lower its gearing ratio and flexibly deployed various financing sources to further enhance its risk resistance capacity and to strengthen its sustainable and high-quality development. During the Period under Review, the Group was included by Hang Seng Indexes Company Limited as a constituent stock of the Hang Seng Index which has been widely quoted as an important indicator of the performance of the Hong Kong stock market. In addition, the credit ratings and outlook of the Group as a long-term bond issuer were upgraded by major rating agencies including Moody's Corporation, Fitch Ratings Inc. and Lianhe Ratings Global Limited during the Period, fully demonstrating the recognition of the operating conditions, financial performance and development potential of the Group by the domestic and international capital markets.

Throughout the first half of 2022, despite multiple challenges posed to the Group and even the global aluminum industry from factors such as the resurgence of the Pandemic and the ongoing conflict between Russia and Ukraine, the overall operations of the Group remained stable during the Period due to its proactive measures. Nevertheless, the Group's business and operations will at the same time face uncertainties as a result of unfavourable factors such as trade frictions, resource and environmental policies, industrial structure adjustments, increased production costs and geopolitics.

Looking ahead to the second half of the year, the Group believes that as China continues to introduce domestic policies aimed at achieving a stable growth coupled with the emerging areas such as lightweight and new energy, the aluminum industry in China can be expected to maintain a steady growth momentum. Therefore, the Group remains fully confident in the future development of the aluminum industry. However, due to the pressure arising from uncertainties such as the global development of the Pandemic and geopolitics, the aluminum industry of the PRC will continue to face the coexistence of both opportunities and challenges. The Group will adhere to the development concept of "innovation, coordination, green development, openness and sharing", focus on stabilising the market and controlling costs, develop a circular economy, build an industry benchmark in green aluminum and recycled aluminum production and play a leading role in the green and high-quality development of the industry.

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

Zhang Bo

Chairman of the Board

26 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Period under review, following the impacts from adverse factors such as geopolitical conflicts, the energy crisis and repeated outbreaks of the Pandemic, the global imbalance between supply and demand intensified while the global economy faced greater downward pressure and the aluminum industry moved forward amongst the difficulties and challenges. In respect of the overseas market, as the regional energy crisis continued to simmer coupled with the conflict between Russia and Ukraine, the supply of overseas primary aluminum remained tight while aluminum prices stood at high levels for a long period of time as driven by cost factors. However, the U.S. Federal Reserve's rate hike policy resulting in the tightened liquidity in overseas markets and slower consumption growth exerted greater pressure on the aluminum industry and led to a sharp fall in aluminum prices. As for the domestic market, the recurrent outbreaks of the Pandemic had a certain unfavourable impact on the supply and demand of primary aluminum, and as a result, aluminum prices experienced fluctuations of rising high followed by a subsequent decrease. Nevertheless, with the continuous introduction of growth stabilisation policies by the PRC government and the ongoing efforts in the areas of new energy infrastructure and automobile lightweighting, the domestic demand gradually picked up.

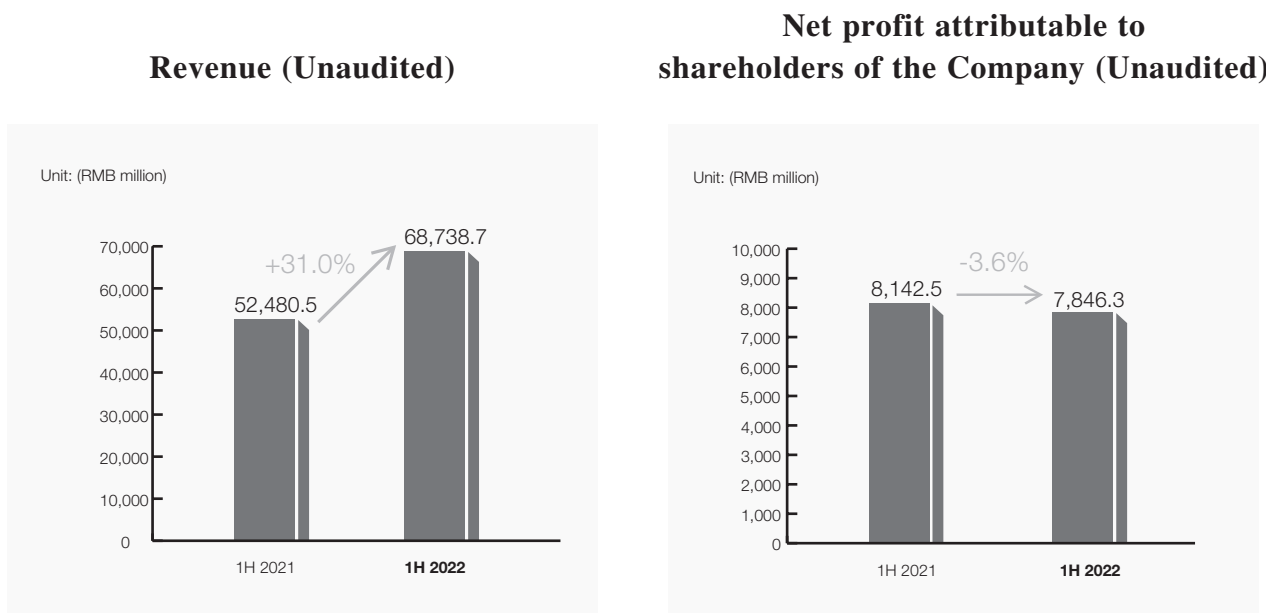
During the first half of 2022, the average price of three-month aluminum futures at the London Metal Exchange (LME) was approximately US\$3,076/ton, representing an increase of approximately 36.3% compared with the corresponding period last year. The average price of three-month aluminum futures at the Shanghai Futures Exchange (SHFE) was approximately RMB21,406/ton (including value-added tax), representing an increase of approximately 23.8% compared with the corresponding period last year. (Data source: Beijing Antaike Information Co., Ltd. (“**Antaike**”)).

The global production of primary aluminum in the first half of 2022 was approximately 33.98 million tons, representing a year-on-year increase of approximately 0.3%. Global consumption of primary aluminum in the first half of 2022 was approximately 34.54 million tons, representing a year-on-year increase of approximately 0.2%. For China, the production of primary aluminum in the first half of 2022 was approximately 19.70 million tons, representing a year-on-year increase of approximately 0.3% and accounting for approximately 58.0% of global production volume. China's consumption of primary aluminum in the first half of 2022 was approximately 19.65 million tons, representing a year-on-year decrease of approximately 2.5% and accounting for approximately 56.9% of global primary aluminum consumption. (Data source: Antaike)

BUSINESS REVIEW

During the Period, the Group's output of aluminum alloy products was approximately 2.931 million tons, representing a slight increase compared with the corresponding period last year. Output of aluminum fabrication products remained stable at 0.362 million tons compared with the corresponding period last year.

The comparative figures of the Group's unaudited revenue and net profit attributable to shareholders of the Company for the six months ended 30 June 2022 and for the corresponding period of 2021 are as follows:



For the six months ended 30 June 2022, the Group's revenue was approximately RMB68,738,652,000, representing a period-on-period increase of approximately 31.0%, mainly due to the significant increase in the prices of aluminum alloy products, aluminum fabrication products and alumina products during the Period as compared with the same period last year, resulting in a corresponding increase in revenue from products.

For the six months ended 30 June 2022, net profit attributable to shareholders of the Company amounted to approximately RMB7,846,289,000, representing a year-on-year decrease of approximately 3.6%. Although profit for the Period of the Group increased by approximately 3.1% as compared with the corresponding period last year to approximately RMB8,685,276,000, an increase in net profit attributable to non-controlling interests resulted in a slight decrease in net profit attributable to shareholders of the Company.

FINANCIAL REVIEW

The following table shows the comparison between the breakdown of the Group's revenue by products for the six months ended 30 June 2022 and for the corresponding period of 2021:

Products	For the six months ended 30 June							
	2022				2021			
	Revenue <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %	Proportion of sales revenue to total revenue %	Revenue <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %	Proportion of sales revenue to total revenue %
Aluminum alloy products	50,461,070	10,934,555	21.7	73.4	38,356,421	12,582,280	32.8	73.1
Alumina	10,706,214	2,453,517	22.9	15.6	7,920,530	1,656,558	20.9	15.1
Aluminum fabrication products	7,087,062	1,672,907	23.6	10.3	5,779,260	1,498,905	25.9	11.0
Steam	484,306	(105,792)	(21.8)	0.7	424,338	(1,973)	(0.5)	0.8
Total	68,738,652	14,955,187	21.8	100.0	52,480,549	15,735,770	30.0	100.0

For the six months ended 30 June 2022, the Group's revenue derived from aluminum alloy products was approximately RMB50,461,070,000, accounting for approximately 73.4% of the Group's revenue and representing an increase of approximately 31.6% from approximately RMB38,356,421,000 for the corresponding period last year, mainly attributable to the increase in average sales price of the Group's aluminum alloy products by approximately 23.0% during the Period as compared to the corresponding period last year and the increase in sales volume of the Group's aluminum alloy products by approximately 7.0% during the Period as compared to the corresponding period last year. Revenue derived from alumina products was approximately RMB10,706,214,000, accounting for approximately 15.6% of the Group's revenue and representing an increase of approximately 35.2% from approximately RMB7,920,530,000 for the corresponding period last year. The increase in sales revenue from alumina was mainly attributable to the increase in average price of alumina products by approximately 29.9% during the Period as compared to the corresponding period last year, and the increase in sales volume of the Group's alumina products by approximately 4.0% during the Period as compared to the corresponding period last year. Revenue derived from aluminum fabrication products was approximately RMB7,087,062,000, accounting for approximately 10.3% of the Group's revenue and representing an increase of approximately 22.6% from approximately RMB5,779,260,000 for the corresponding period last year, which was mainly attributable to the increase in the price of aluminum fabrication products of the Group during the Period.

For the six months ended 30 June 2022, the overall gross profit margin of the Group was approximately 21.8%, which decreased by approximately 8.2 percentage points from approximately 30.0% for the corresponding period last year. Gross profit margin of aluminum alloy products decreased by approximately 11.1 percentage points, mainly because, while the average selling price of aluminum alloy

products increased during the Period as compared with the corresponding period last year, the extent of increase in the procurement costs of raw materials such as coal and anode carbon blocks exceeded that of the selling price of aluminum alloy products, leading to a decrease in the gross profit margin of aluminum alloy products as compared with the corresponding period last year. As a result of the increase in the price of alumina products, the gross profit margin of the Group's alumina products increased by approximately 2.0 percentage points as compared with the corresponding period last year. The gross profit margin of aluminum fabrication products decreased by 2.3 percentage points as compared with the corresponding period last year, mainly due to the increase in the cost of aluminum fabrication products during the Period as compared with the corresponding period last year.

Distribution and selling expenses

For the six months ended 30 June 2022, the Group's distribution and selling expenses were approximately RMB301,894,000, representing an increase of approximately 15.9% from approximately RMB260,384,000 for the corresponding period last year, mainly due to the increase in the sales of the aluminum alloy products and alumina products of the Group, resulting in a corresponding increase in transportation costs.

Administrative expenses

For the six months ended 30 June 2022, the Group's administrative expenses were approximately RMB3,060,161,000, representing an increase of approximately 19.9% from approximately RMB2,551,569,000 for the corresponding period last year, mainly because the Group continued to strengthen efforts in technological research and development and increased the research and development expenses during the Period, as well as the increase in exchange losses recorded by the Group due to changes in the Renminbi-U.S. Dollar exchange rate.

Finance costs

For the six months ended 30 June 2022, the Group's finance costs were approximately RMB1,651,885,000, representing a decrease of approximately 12.6% from approximately RMB1,889,582,000 for the corresponding period last year, which was mainly due to the decrease in interest expenses as the Group paid some of its medium-term notes due for payment during the Period.

Liquidity and financial resources

As at 30 June 2022, the Group's cash and cash equivalents were approximately RMB49,222,961,000, which did not differ significantly from the cash and cash equivalents of approximately RMB49,227,282,000 as at 31 December 2021.

For the six months ended 30 June 2022, the Group's net cash inflows from operating activities were approximately RMB9,684,133,000, net cash outflows from investment activities were approximately RMB3,251,163,000, and net cash outflows from financing activities were approximately RMB6,535,932,000. The net cash outflows from investment activities were mainly attributable to the cash outflows for the acquisition of property, plant and equipment; while the net cash outflows from financing activities were mainly attributable to the cash outflows for debt repayment, dividend payout and interest payment on debts by the Group during the Period.

For the six months ended 30 June 2022, the Group's capital expenditure amounted to approximately RMB2,728,267,000, mainly for the payment of the quality guarantee deposits for the preliminary stages of construction projects in accordance with the relevant contracts, and the construction expenditure for Yunnan Green Aluminum Innovation Park project, lightweight material base and the Indonesia alumina project.

As at 30 June 2022, the Group had capital commitment of approximately RMB2,435,632,000, representing capital expenditure for the acquisition of properties, plants and equipment in the future, primarily for the payment of the construction expenditure for Yunnan Green Aluminum Innovation Park project, lightweight material base and the Indonesia alumina project.

As at 30 June 2022, the Group's trade receivables amounted to approximately RMB8,455,791,000, representing an increase of approximately 16.1% from approximately RMB7,284,753,000 as at 31 December 2021, mainly because the Group provided customers with a specific credit period for the sales of aluminum fabrication products according to the market practice. The increase in the revenue of the aluminum alloy processing products resulted in an increase in account receivables.

As at 30 June 2022, the Group's prepayments and other receivables (including non-current assets) amounted to approximately RMB8,141,785,000, representing a decrease of approximately 28.0% as compared to the prepayments and other receivables (including non-current assets) of approximately RMB11,309,706,000 as at 31 December 2021, mainly because certain prepayments and other receivables at the end of 2021 were utilised or collected during the Period.

As at 30 June 2022, the Group's inventory amounted to approximately RMB30,483,322,000, representing an increase of approximately 34.3% from approximately RMB22,705,105,000 as at 31 December 2021, mainly due to an increase in the inventory quantity of certain raw materials and an increase in the unit cost of inventory.

Income tax

The Group's income tax for the first half of 2022 amounted to approximately RMB2,545,319,000, representing a decrease of approximately 10.8% from approximately RMB2,852,955,000 for the corresponding period last year, mainly due to the increase in deferred tax as a result of the increase in unrealised profit derived from internal sales of the Group.

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

For the six months ended 30 June 2022, net profit attributable to shareholders of the Company amounted to approximately RMB7,846,289,000, representing a decrease of approximately 3.6% from approximately RMB8,142,519,000 for the corresponding period last year.

During the Period, basic earnings per share of the Company were approximately RMB0.850 (the corresponding period of 2021: approximately RMB0.903).

Interim dividend and closure of register of members

On 26 August 2022, the Board resolved to declare an interim dividend of HK41.0 cents per share for the six months ended 30 June 2022 (the “**Interim Dividend**”), payable to the shareholders whose names appear on the register of members of the Company on Friday, 18 November 2022. For the purpose of determining the identity of the shareholders who are entitled to the Interim Dividend, the register of members of the Company will be closed from Monday, 14 November 2022 to Friday, 18 November 2022 (both days inclusive), during which no transfer of shares will be effected. The Interim Dividend is expected to be paid on Friday, 2 December 2022.

In order to determine the identity of the shareholders who are entitled to the Interim Dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 11 November 2022.

Capital structure

The Group has established an appropriate liquidity risk management framework to secure its short, medium and long-term funding supply and to satisfy its liquidity need. As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately RMB49,222,961,000 (31 December 2021: approximately RMB49,227,282,000), which were mainly placed in commercial banks. Such level of cash and cash equivalents would assist in ensuring the stability and flexibility of the Group’s business operations. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources, so as to satisfy the business needs and maintain a sound and stable financial position.

As at 30 June 2022, the total liabilities of the Group amounted to approximately RMB95,497,192,000 (31 December 2021: approximately RMB95,982,093,000). Gearing ratio (total liabilities to total assets) was approximately 49.5% (31 December 2021: approximately 50.9%), which represents that the gearing ratio of the Group was further optimised.

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use assets as collateral for bank borrowings to provide part of the funding for its daily business operations and project construction. As at 30 June 2022, secured bank borrowings of the Group amounted to approximately RMB9,302,414,000 (31 December 2021: approximately RMB9,487,194,000).

As at 30 June 2022, the Group’s total bank borrowings were approximately RMB36,937,998,000. The Group maintained an appropriate portfolio of liabilities at fixed interest rates and variable interest rates to manage its interest expenses. As at 30 June 2022, approximately 50.6% of the Group’s bank borrowings were subject to fixed interest rates while its remainder of approximately 49.4% were subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of financing through utilising various debt financing instruments. As at 30 June 2022, liabilities of the Group, other than bank borrowings, include short-term bonds and notes of approximately RMB1,500,000,000, medium-term notes and bonds of approximately RMB13,093,888,000, guaranteed notes of approximately RMB6,674,936,000 and convertible bonds of approximately RMB3,245,906,000, interest rates of which ranged from 3.98% to 7.375% per annum. Such notes and bonds would facilitate the optimisation of the Group's debt structure and reduce its financing costs.

As at 30 June 2022, the Group had net current assets of approximately RMB38,811,395,000. The Group will continue to expand its financing channels and optimise its debt structure. In addition, the Group will continue to control its production costs, enhance its profitability and improve its cash flow position in order to maintain adequate liquidity of the Group.

As at 30 June 2022, the Group's liabilities were mainly denominated in RMB and U.S. Dollars, of which, approximately 73.2% were denominated in RMB and approximately 26.8% were denominated in U.S. Dollars. Cash and cash equivalents were mainly held in RMB and U.S. Dollars, of which approximately 93.6% were held in RMB and approximately 6.1% were held in U.S. Dollars.

Employee and remuneration policy

As at 30 June 2022, the Group had a total of 45,438 employees, representing an increase of 2,788 employees as compared to 31 December 2021. During the Period, the total staff costs of the Group amounted to approximately RMB2,514,558,000, representing approximately 3.7% of its total revenue. The remuneration packages of the employees of the Group include salaries, various allowances and benefits. In addition, the Group established a performance-based incentive mechanism under which the employees may be awarded additional bonuses. The Group provided training programmes to employees to equip them with the requisite working skills and knowledge.

Foreign exchange risk

The Group collected most of its revenue in RMB and funded most of its expenditures in RMB. As the import of bauxite and production equipment, export for certain aluminum fabrication products, certain bank balances, bank borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is exposed to certain foreign exchange risk. As at 30 June 2022, the Group's bank balances denominated in foreign currencies were approximately RMB3,158,941,000 and liabilities denominated in foreign currencies were approximately RMB16,473,455,000. For the six months ended 30 June 2022, the Group's foreign exchange losses were approximately RMB753,495,000 (for the six months ended 30 June 2021: foreign exchange gains of approximately RMB39,050,000).

Contingent liability

As at 30 June 2022, the Group has no significant contingent liability.

EVENTS AFTER THE REPORTING PERIOD

On 1 August 2022, Shandong Hongqiao completed the bookbuilding issuance of the 2022 domestic corporate bonds (second tranche) bearing interest rate at 4.5% per annum, with an offering size of RMB1,000,000,000 for a term of 3 years (with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the second year).

On 21 July 2022 and 18 August 2022, Shandong Hongqiao respectively completed the bookbuilding issuance of the first and second tranches of the 2022 domestic short-term finance bonds. Both tranches had an offering size of RMB1,000,000,000 and a maturity term of one year. The interest rates are 3.55% and 3.47% per annum respectively.

Except as disclosed above, as at 30 June 2022 and up to the date of this results announcement, there was no important event affecting the Group.

FUTURE PROSPECT

The Group firmly believes that fulfilling its carbon reduction responsibility is not only a concrete step for the Group in proactively implementing the national strategies, assuming social responsibilities and responding to global climate changes, but also a key component to further enhance enterprise management levels and competitiveness. Therefore, in order to better assume and fulfill its carbon reduction responsibilities and to complement the strategic "Dual Carbon" goals of the country, the Group has been actively optimising its energy structure in recent years, vigorously developing the use of clean energy such as photovoltaic power, wind power and hydropower, gradually reducing the proportion of fossil energy and forming a new landscape of energy with multiple energy sources.

In the future, the Group will further optimise the energy structure, develop the circular economy, expand downstream processing, further developments in lightweighting, bolster investment in research and development, strengthen technological innovation and promote negative carbon technology to ensure the attainment of the "Dual Carbon" goals. The Company will also play a leading role in the industry chain, leading all partners in the chain to deeply engage in the carbon reduction initiatives, and continue to promote green and low-carbon development. In addition to promoting high quality development, the Group will continue to optimise its financial structure and remain committed to rewarding shareholders with sustainable returns. The Group will continue to actively participate in charity activities in China, making greater contributions to society.

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

As at 30 June 2022, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of total shares held	Approximate percentage of shareholding in the total issued share capital as at 30 June 2022 (%)
Shiping Prosperity Private Trust Company ⁽¹⁾	Trustee	6,076,513,573(L)	65.10
Hongqiao Holdings ⁽¹⁾	Beneficial owner	6,076,513,573(L)	65.10
CTI Capital Management Limited ⁽²⁾	Beneficial owner	803,190,170 ⁽³⁾ (L)	8.60
CITIC Limited ⁽²⁾	Interest of a controlled corporation	1,020,262,870(L)	10.93
CITIC Group Corporation ⁽²⁾	Interest of a controlled corporation	1,020,262,870(L)	10.93

(L) denotes long positions

Notes:

- (1) Shipping Prosperity Private Trust Company held 100% equity interest in Hongqiao Holdings as trustee.
- (2) According to the disclosure of interests as set out on the website of the Stock Exchange, CITIC Group Corporation held 100% equity interest in CITIC Polaris Limited, which held 32.53% equity interest in CITIC Limited, and CITIC Group Corporation also held 100% equity interest in CITIC Glory Limited, which held 25.60% equity interest in CITIC Limited. Thus CITIC Group Corporation indirectly held 58.13% equity interest in CITIC Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited. CITIC Corporation Limited held 82.26% equity interest in CITIC Trust Co., Ltd. and 100% equity interest in CITIC Industrial Investment Group Corp., Ltd., which held 17.74% equity interest in CITIC Trust Co., Ltd. Accordingly, CITIC Corporation Limited directly and indirectly held 100% equity interest in CITIC Trust Co., Ltd. CITIC Trust Co., Ltd. held 100% equity interest in CTI Capital Management Limited. Thus, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CTI Capital Management Limited under the SFO.

According to the disclosure of interests as set out on the website of the Stock Exchange, CITIC Corporation Limited held 65.37% equity interest in China CITIC Bank Corporation Limited and CITIC Corporation Limited held 100% equity interest in CITIC Investment (HK) Limited, which in turn held 100% equity interest in Fortune Class Investments Limited. Fortune Class Investments Limited held 0.02% equity interest in China CITIC Bank Corporation Limited. In addition, CITIC Limited held 100% equity interest in Metal Link Limited, which in turn held 0.58% equity interest in China CITIC Bank Corporation Limited. China CITIC Bank Corporation Limited held 99.05% equity interest in CNCB (Hong Kong) Investment Limited. Accordingly, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CNCB (Hong Kong) Investment Limited under the SFO.

- (3) According to the disclosure of interests as set out on the website of the Stock Exchange, CTI Capital Management Limited was interested in 803,190,170 shares of the Company in long position.

Save as disclosed above, as at 30 June 2022, so far as it is known to the Directors and chief executive of the Company, there was no any other person (other than the Directors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

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

As at 30 June 2022, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be recorded in the register required to be kept by the Company under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of director	Capacity/Nature of interest	Number of total shares held	Approximate percentage of shareholding in the total issued share capital as at 30 June 2022 (%)
Mr. Zhang Bo	Beneficial owner	8,870,000 (L)	0.10

Save as disclosed above, as at 30 June 2022, there were no any other Directors or chief executive of the Company or any of their spouses or children under the age of 18 who had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or to be recorded pursuant to section 352 of the SFO in the register referred to therein; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2022 and up to the date of this results announcement was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares in, or debentures of, the Company or any other body corporate or had exercised any such right during the Period.

AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) in compliance with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. The Audit Committee meeting was held on 26 August 2022 to review the interim results and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022. The Audit Committee considered that the interim financial results of the Group for the six months ended 30 June 2022 were in compliance with the relevant accounting standards, rules and regulations and adequate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022 and up to the date of this results announcement.

ADJUSTMENT OF CONVERSION PRICE OF US\$320,000,000 5.0% CONVERTIBLE BONDS DUE 2022

Reference is made to the announcement of the Company dated 15 August 2017 in relation to, among other things, the terms and conditions of the US\$320,000,000 5.0% convertible bonds due 2022 issued by the Company (the “**2017 Convertible Bonds**”). Due to the declaration of the final dividend by the Company for 2021, the conversion price of the 2017 Convertible Bonds has been adjusted from HK\$5.79 per share to HK\$5.41 per share with effect from 1 June 2022 (being the business day immediately following the date of the record date (i.e. 31 May 2022) in relation to the declaration), details of which are set out in the announcement of the Company dated 31 May 2022.

ADJUSTMENT OF CONVERSION PRICE OF US\$300,000,000 5.25% CONVERTIBLE BONDS DUE 2026

Reference is made to the announcement of the Company dated 8 January 2021 in relation to, among other things, the terms and conditions of the US\$300,000,000 5.25% convertible bonds due 2026 issued by the Company (the “**2021 Convertible Bonds**”). Due to the declaration of the final dividend by the Company for 2021, the conversion price of the 2021 Convertible Bonds has been adjusted from HK\$8.12 per share to HK\$7.63 per share with effect from 1 June 2022 (being the business day immediately following the date of the record date (i.e. 31 May 2022) in relation to the declaration), details of which are set out in the announcement of the Company dated 31 May 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the directors' securities transactions on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiry with all of the Directors, the Company confirmed that each of the Directors has complied with the standards as set out in the Model Code and the code of conduct of the Company regarding directors' securities transactions throughout the six months ended 30 June 2022 and up to the date of this results announcement.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles as set out in the CG Code. For the six months ended 30 June 2022, the Company has complied with the code provisions as set out in the CG Code, except for the following deviation:

Mr. Zhang Bo, the chief executive officer of the Company, concurrently serves as the chairman of the Board. Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and not be performed by the same individual. However, taking into consideration the abundant management experience and industry knowledge of Mr. Zhang Bo and the fact that he is very familiar with the business of the Group, the Board believes that it is beneficial to the continuous and stable development of the business of the Group for Mr. Zhang Bo to serve as both the chairman of the Board and the chief executive officer of the Company. Furthermore, the members of the Board also include qualified professionals and other experienced individuals. The Board considers the current composition of the Board can ensure a balance of power and authority with the support of the Board committees and the vice chairman of the Board.

Save as disclosed above, there was no non-compliance of other code provisions as set out in the CG Code by the Company for the six months ended 30 June 2022.

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

The electronic version of this results announcement will be available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongqiaochina.com. The printed and electronic version of this interim report will be despatched to the shareholders on or before 26 September 2022 and will be available on the Company's website and the website of the Stock Exchange at the same time, respectively.

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

Hong Kong, the PRC
26 August 2022

As at the date of this announcement, the Board comprises twelve Directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian and Ms. Wong Yuting as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Li Zimin (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as non-executive Directors, and Mr. Wen Xianjun, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive Directors.