

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **RESULTS HIGHLIGHTS**

- Revenue decreased by approximately 4.4% to approximately RMB65,733,870,000 as compared with that of the corresponding period last year
- Gross profit decreased by approximately 60.6% to approximately RMB5,892,364,000 as compared with that of the corresponding period last year
- Profit for the Period decreased by approximately 65.8% to approximately RMB2,972,024,000 as compared with that of the corresponding period last year
- Net profit attributable to shareholders of the Company decreased by approximately 68.7% to approximately RMB2,456,623,000 as compared with that of the corresponding period last year
- Basic earnings per share decreased by approximately 69.5% to approximately RMB0.259 as compared with that of the corresponding period last year
- The Board declares an interim dividend for 2023 of HK12.0 cents per share (the corresponding period in 2022: HK41.0 cents) and a special dividend of HK22.0 cents per share (the corresponding period in 2022: nil)

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	4	<b>65,733,870</b>	68,738,652
Cost of sales		<b>(59,841,506)</b>	(53,783,465)
Gross profit		<b>5,892,364</b>	14,955,187
Other income and gains		<b>1,658,719</b>	1,606,697
Selling and distribution expenses		<b>(304,140)</b>	(301,894)
Administrative expenses		<b>(2,808,009)</b>	(3,060,161)
Other expenses	5	<b>(89,388)</b>	(197,355)
Finance costs		<b>(1,474,674)</b>	(1,651,885)
Changes in fair value of financial instruments	6	<b>14,393</b>	(346,843)
Share of profits of associates		<b>954,433</b>	226,849
<b>Profit before taxation</b>		<b>3,843,698</b>	11,230,595
Income tax expense	7	<b>(871,674)</b>	(2,545,319)
<b>Profit for the period</b>		<b><u>2,972,024</u></b>	<b><u>8,685,276</u></b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>2,456,623</b>	7,846,289
Non-controlling interests		<b>515,401</b>	838,987
		<b><u>2,972,024</u></b>	<b><u>8,685,276</u></b>

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>322,388</b>	209,952
Share of other comprehensive income of associates		<b>41,517</b>	160,548
		<u>363,905</u>	<u>370,500</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		<u>(37,127)</u>	<u>(83,260)</u>
Total comprehensive income for the period, net of income tax		<u><b>3,298,802</b></u>	<u><b>8,972,516</b></u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>2,711,605</b>	8,051,588
Non-controlling interests		<b>587,197</b>	920,928
		<u><b>3,298,802</b></u>	<u><b>8,972,516</b></u>
<b>Earnings per share</b>			
– Basic (RMB)	9	<u><b>0.259</b></u>	<u>0.850</u>
– Diluted (RMB)		<u><b>0.259</b></u>	<u>0.850</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

		As at <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2022 <i>RMB'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	<b>66,282,375</b>	68,060,299
Right-of-use assets		<b>8,789,307</b>	7,672,678
Intangible assets		<b>33,289</b>	34,291
Investment properties		<b>44,375</b>	41,046
Deposits paid for acquisition of property, plant and equipment		<b>670,021</b>	644,100
Deferred tax assets		<b>2,348,161</b>	2,605,197
Interests in associates		<b>12,207,916</b>	10,296,678
Loan to an associate		<b>2,000,000</b>	2,000,000
Goodwill		<b>278,224</b>	278,224
Financial asset at amortised cost	<i>13</i>	<b>2,494,000</b>	2,499,000
Other financial assets		<b>6,505,461</b>	1,542,588
Prepayment		–	2,500,000
		<b>101,653,129</b>	98,174,101
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>35,846,442</b>	37,267,620
Trade receivables	<i>12</i>	<b>5,074,829</b>	4,610,695
Bills receivables		<b>5,263,543</b>	5,573,175
Prepayments and other receivables		<b>8,341,954</b>	10,051,561
Other financial asset		–	2,122
Income tax recoverable		<b>1,551,087</b>	957,917
Restricted bank deposits		<b>1,850,630</b>	1,720,058
Cash and cash equivalents		<b>29,776,735</b>	27,384,542
		<b>87,705,220</b>	87,567,690

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	13,046,357	14,911,002
Other payables and accruals		11,061,702	12,357,158
Bank borrowings – due within one year		25,785,967	30,533,850
Lease liabilities		38,491	16,161
Income tax payable		481,365	618,264
Short-term debentures and notes		6,000,000	3,000,000
Medium-term debentures and bonds – due within one year		13,019,778	8,507,112
Guaranteed notes – due within one year		3,582,330	1,392,893
Deferred income		17,877	36,684
		<u>73,033,867</u>	<u>71,373,124</u>
<b>NET CURRENT ASSETS</b>		<u>14,671,353</u>	<u>16,194,566</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>116,324,482</u>	<u>114,368,667</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year		10,567,168	4,993,909
Lease liabilities		588,254	51,755
Liability component of convertible bonds – due after one year		1,961,385	1,830,527
Derivatives component of convertible bonds – due after one year		465,045	457,010
Deferred tax liabilities		420,347	523,795
Medium-term debentures and bonds – due after one year		2,889,807	5,960,847
Guaranteed notes – due after one year		–	3,450,755
Deferred income		819,018	794,292
		<u>17,711,024</u>	<u>18,062,890</u>
<b>NET ASSETS</b>		<u>98,613,458</u>	<u>96,305,777</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	618,881	618,881
Reserves		<u>85,719,213</u>	<u>83,879,972</u>
Equity attributable to owners of the Company		<u>86,338,094</u>	84,498,853
Non-controlling interests		<u>12,275,364</u>	<u>11,806,924</u>
<b>TOTAL EQUITY</b>		<u>98,613,458</u>	<u>96,305,777</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. CORPORATE INFORMATION

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

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

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

## 2. BASIS OF PREPARATION

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

## 3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except as disclosed below.

## Application of new and amendments to IFRSs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



#### 4. REVENUE

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

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

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

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

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

## 6. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Changes in fair values arising from:		
– capped forward contract	–	2,456
– interest rate swap contract	–	4,049
– derivatives component of convertible bonds	14,393	(353,348)
	<u>14,393</u>	<u>(346,843)</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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	–	–
– Indonesia Corporate Tax	124,776	120,613
– PRC Enterprise Income Tax	593,310	3,061,227
– Withholding tax paid	–	30,067
	<u>718,086</u>	<u>3,211,907</u>
Deferred taxation	<u>153,588</u>	<u>(666,588)</u>
Total income tax expense for the period	<u>871,674</u>	<u>2,545,319</u>

## 8. DIVIDENDS

Six months ended 30 June	
2023	2022
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)

Dividends recognised as distribution during the period:

2022 Final dividend – HK10 cents (2022: 2021 Final dividend – HK60 cents)	<b>872,364</b>	4,712,320
---	----------------	-----------

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

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK12 cents per share and a special dividend of HK22 cents per share, amounting to approximately HK\$3,221,683,000 in total will be paid. The amount of interim dividend and special dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information, has not been recognised as a liability in the interim condensed consolidated financial information.

## 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	
2023	2022
<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)

### Earnings

Earnings for the purpose of basic earnings per share	<b>2,456,623</b>	7,846,289
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	–	–
Changes in fair values of derivatives component of convertible bonds	–	–
Exchange loss on translation of liability component of convertible bonds	–	–
Earnings for the purpose of diluted earnings per share	<b>2,456,623</b>	7,846,289

Six months ended 30 June	
2023	2022
<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	<b>9,475,538</b>	9,227,753
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>9,475,538</b>	9,227,753

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

## 10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

## 11. INVENTORIES

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

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

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

## 12. TRADE RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	5,082,025	4,617,414
Less: allowance for impairment loss	<u>(7,196)</u>	<u>(6,719)</u>
	<u><b>5,074,829</b></u>	<u><b>4,610,695</b></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 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 3 months	4,390,276	4,009,740
3 to 12 months	677,748	597,180
12 to 24 months	4,185	3,775
24 to 36 months	<u>2,620</u>	<u>–</u>
	<u><b>5,074,829</b></u>	<u><b>4,610,695</b></u>

### 13. FINANCIAL ASSET AT AMORTISED COST

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

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

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

### 14. TRADE AND BILLS PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	10,925,409	12,693,831
Bills payables	<u>2,120,948</u>	<u>2,217,171</u>
	<u><b>13,046,357</b></u>	<u>14,911,002</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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 6 months	9,450,699	11,980,729
6 to 12 months	1,168,921	443,244
1 to 2 years	213,456	235,369
More than 2 years	92,333	34,489
	<u>10,925,409</u>	<u>12,693,831</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.

## 15. ISSUED CAPITAL

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

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

*Notes:*

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

The Company does not have any share option scheme.

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

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

## 16. COMMITMENTS

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



## CHAIRMAN’S STATEMENT

Dear shareholders,

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 Company and its subsidiaries for the six months ended 30 June 2023 (the “**Period**” or “**Period under Review**”).

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

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

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

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

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

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

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

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

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

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

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

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and employees for their efforts and dedication in the first half of 2023, and to our shareholders, investors and business partners for their support and trust. The Group will work together with all of you to create a better future!

**Mr. Zhang Bo**

*Chairman of the Board*

18 August 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

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

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



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

## FINANCIAL REVIEW

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

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

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

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

### **Selling and distribution expenses**

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

### **Administrative expenses**

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

### **Finance costs**

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

### **Liquidity and financial resources**

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



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

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

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

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

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

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

### **Income tax**

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

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

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

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

## **Interim dividend and closure of register of members**

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

In order to determine the identity of the shareholders who are entitled to the Interim Dividend and the Special Dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 17 November 2023.

## **Capital structure**

The Group has established an appropriate liquidity risk management framework to secure its short, medium and long-term funding supply and to satisfy its liquidity need. As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB29,776,735,000 (31 December 2022: approximately RMB27,384,542,000), which were mainly placed in commercial banks. Such level of cash and cash equivalents would assist in ensuring the stability and flexibility of the Group’s business operations. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources, so as to satisfy the business needs and maintain a sound and stable financial position.

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

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

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

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

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

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

### **Employee and remuneration policy**

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

## **Foreign exchange risk**

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

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

## **Contingent liability**

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

## **EVENTS AFTER THE REPORTING PERIOD**

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

## **FUTURE PROSPECT**

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

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

### **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

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

### **Significant investments held**

For the six months ended 30 June 2023, the Group did not hold any significant investment which had a significant impact on its overall operation.

### **Future plans for material investments or capital assets**

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

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

As at 30 June 2023, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of total shares held	Approximate percentage of shareholding in the total issued share capital as at 30 June 2023 (%)
Shiping Prosperity Private Trust Company <sup>(1)</sup>	Trustee	6,076,513,573 (Long position)	64.13
China Hongqiao Holdings Limited (“ <b>Hongqiao Holdings</b> ”) <sup>(1)</sup>	Beneficial owner	6,076,513,573 (Long position)	64.13
Ms. Zhang Hongxia <sup>(2)</sup>	Interest in persons acting in concert	6,085,383,573 (Long position)	64.22
Ms. Zhang Yanhong <sup>(2)</sup>	Interest in persons acting in concert	6,085,383,573 (Long position)	64.22
CTI Capital Management Limited <sup>(4)</sup>	Beneficial owner	803,190,170 (Long position) <sup>(3)</sup>	8.48
CITIC Limited <sup>(4)</sup>	Interest of a controlled corporation	1,203,994,870 (Long position)	12.71
		185,000,000 (Short position)	1.95
CITIC Group Corporation <sup>(4)</sup>	Interest of a controlled corporation	1,203,994,870 (Long position)	12.71
		185,000,000 (Short position)	1.95

*Notes:*

- (1) Shipping Prosperity Private Trust Company (“**Shipping Trust Company**”) held 100% equity interest in Hongqiao Holdings as trustee.
- (2) Shipping Trust Company held 100% equity interest in Hongqiao Holdings as trustee. Shipping Global Holding Company Limited (“**Shipping Global**”) is the settlor, protector and one of the beneficiaries of Shipping Prosperity Trust. Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong held 40%, 30% and 30% equity interests in Shipping Global respectively, and to maintain an acting-in-concert arrangement in respect of the exercise of the shareholders’ rights of Shipping Global. Accordingly, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company held by Hongqiao Holdings. In addition, Mr. Zhang Bo, as the beneficial owner, holds 8,870,000 shares in the Company. By virtue of the acting-in-concert arrangement, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company beneficially held by Mr. Zhang Bo.
- (3) According to the disclosure of interests as set out on the website of the Stock Exchange, CTI Capital Management Limited was interested in 803,190,170 shares of the Company in long position.
- (4) According to the disclosure of interests as set out on the website of the Stock Exchange and the information available to the Company, CITIC Group Corporation held 100% equity interest in CITIC Polaris Limited, which held 32.53% equity interest in CITIC Limited, and CITIC Group Corporation also held 100% equity interest in CITIC Glory Limited, which held 25.60% equity interest in CITIC Limited. Thus CITIC Group Corporation indirectly held 58.13% equity interest in CITIC Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited. CITIC Corporation Limited held 82.26% equity interest in CITIC Trust Co., Ltd. and 100% equity interest in CITIC Industrial Investment Group Corp., Ltd., which held 17.74% equity interest in CITIC Trust Co., Ltd. Accordingly, CITIC Corporation Limited directly and indirectly held 100% equity interest in CITIC Trust Co., Ltd. CITIC Trust Co., Ltd. held 100% equity interest in CTI Capital Management Limited. Thus, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CTI Capital Management Limited under the SFO.

According to the disclosure of interests as set out on the website of the Stock Exchange and the information available to the Company, CITIC Corporation Limited held 1.19% equity interest in China CITIC Bank Corporation Limited and CITIC Corporation Limited held 100% equity interest in CITIC Investment (HK) Limited, which in turn held 100% equity interest in Fortune Class Investments Limited. Fortune Class Investments Limited held 0.02% equity interest in China CITIC Bank Corporation Limited. CITIC Corporation Limited also held 100% equity interest in CITIC Financial Holdings Co., Ltd., which in turn held 64.18% equity interest in China CITIC Bank Corporation Limited. In addition, CITIC Limited held 100% equity interest in Metal Link Limited, which in turn held 0.58% equity interest in China CITIC Bank Corporation Limited. China CITIC Bank Corporation Limited held 100% equity interest in CNCB (Hong Kong) Investment Limited. Accordingly, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CNCB (Hong Kong) Investment Limited under the SFO.

Save as disclosed above, as at 30 June 2023, so far as it is known to the Directors and chief executive of the Company, there was no any other person (other than the Directors or chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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 Rules Governing the Listing of Securities on the Stock Exchange (“**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 2023 (%)
		8,870,000	
Mr. Zhang Bo <sup>(1)</sup>	Beneficial owner	(Long position)	0.09
	Interest in persons acting in concert	6,076,513,573 (Long position)	64.13

*Note:*

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

Save as disclosed above, as at 30 June 2023, there was no any other Directors or chief executive of the Company or any of their spouse or children under the age of 18 who had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to 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 in the register required to be kept under section 352 of the SFO; 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 2023 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 18 August 2023 to review the interim results and the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023. The Audit Committee considered that the interim financial results of the Group for the six months ended 30 June 2023 were in compliance with the relevant accounting standards, rules and regulations and adequate disclosures 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 2023 and up to the date of this results announcement.

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

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

## CHANGES IN INFORMATION OF DIRECTOR AND CHIEF EXECUTIVE

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

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

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the directors’ securities transactions on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiry with all of the Directors, the Company confirmed that each of the Directors 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 2023 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 2023, 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 2023.

## **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](http://www.hkexnews.hk) and the Company's website at [www.hongqiaochina.com](http://www.hongqiaochina.com). The printed and electronic version of the interim report will be despatched to the shareholders on or before 18 September 2023 and will be published on the websites of the Company and the Stock Exchange.

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

Hong Kong, the PRC  
18 August 2023

*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. Liu Xiaojun (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as non-executive Directors, and Mr. Wen Xianjun, Mr. Han Benwen, Mr. Dong Xinyi and Ms. Fu Yulin as independent non-executive Directors.*