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 2018

RESULTS HIGHLIGHTS

- Revenue decreased by approximately 6.0% to approximately RMB44,326,570,000 as compared with the corresponding period of last year
- Gross profit decreased by approximately 9.6% to approximately RMB6,511,107,000 as compared with the corresponding period of last year
- Net profit attributable to owners of the Company increased by approximately 21.3% to approximately RMB1,804,265,000 as compared with the corresponding period of last year
- Basic earnings per share increased by approximately 1.5% to approximately RMB0.208 as compared with the corresponding period of last year

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited and restated)
Revenue	5	**44,326,570**	47,168,230
Cost of sales		**(37,815,463)**	(39,966,253)
Gross profit		**6,511,107**	7,201,977
Other income and gains		**1,046,700**	1,110,425
Selling and distribution expenses		**(97,301)**	(148,992)
Administrative expenses		**(1,599,437)**	(753,944)
Other expenses		**(531,158)**	(3,412,208)
Finance costs		**(1,982,844)**	(2,070,102)
Changes in fair value of derivatives		**78,920**	(3,138)
Share of profits of associates		**323,774**	191,427
Loss on disposal of a subsidiary	16	**(648,772)**	–
Profit before taxation		**3,100,989**	2,115,445
Income tax expenses	6	**(1,138,162)**	(610,592)
Profit for the period		**1,962,827**	1,504,853
Profit for the period attributable to:			
Owners of the Company		**1,804,265**	1,488,047
Non-controlling interests		**158,562**	16,806
		1,962,827	1,504,853
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**33,304**	(59,304)
Share of other comprehensive income of an associate		**38,573**	–
Other comprehensive income (expense) for the peirod		**71,877**	(59,304)
Total comprehensive income for the period, net of income tax		**2,034,704**	1,445,549
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**1,863,152**	1,454,222
Non-controlling interests		**171,552**	(8,673)
		2,034,704	1,445,549
Earnings per share	8		
Basic (RMB)		**0.208**	0.205
Diluted (RMB)		**0.207**	0.205

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	**As at 30 June 2018 *RMB'000* (Unaudited)**	As at 31 December 2017 *RMB'000* (Unaudited and restated)	As at 1 January 2017 *RMB'000* (Unaudited and restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*9*	**78,291,636**	84,043,112	86,658,504
Intangible assets		**10,250**	13,972	–
Prepaid lease payments		**4,597,098**	3,806,787	3,066,503
Investment properties		**147,102**	150,931	–
Deposits paid for acquisition of property, plant and equipment		**4,214**	421,144	1,745,089
Deposit paid for acquisition of land		**–**	14,968	443,390
Deferred tax assets		**1,760,034**	1,784,856	557,322
Investment in associates		**1,810,555**	1,325,328	944,796
Goodwill	*10*	**757,277**	1,265,763	311,769
Other financial assets		**–**	–	14,631
Available-for-sale investment	*11*	**–**	6,000	–
Other receivables		**819,908**	–	–
Financial asset at fair value through profit or loss	*11*	**6,000**	–	–
		88,204,074	92,832,861	93,742,004
CURRENT ASSETS				
Prepaid lease payments		**103,794**	85,902	56,152
Inventories	*12*	**17,169,923**	15,585,329	17,143,324
Trade receivables	*13*	**4,119,878**	2,402,917	363,314
Bills receivables		**7,694,276**	11,912,479	9,721,942
Prepayments, loans and other receivables		**10,730,162**	12,654,914	8,243,113
Other financial assets		**–**	57	13,047
Restricted bank deposits		**1,426,539**	1,262,589	396,808
Cash and cash equivalents		**36,547,754**	21,947,939	13,141,647
		77,792,326	65,852,126	49,079,347

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Unaudited and restated)	As at 1 January 2017 RMB'000 (Unaudited and restated)
CURRENT LIABILITIES				
Trade and bills payables	*14*	**14,293,556**	16,060,100	7,506,386
Other payables and accruals		**11,924,384**	16,349,060	12,378,364
Bank borrowings – due within one year		**16,717,354**	9,529,148	14,310,943
Other financial liabilities		**–**	–	1,691
Income tax payable		**1,314,650**	1,163,430	724,632
Short-term debentures and notes		**4,000,000**	3,000,000	11,000,000
Medium-term debentures and bonds – due within one year		**1,751,115**	7,196,185	731,664
Guaranteed notes		**2,952,297**	1,957,399	2,768,436
Deferred income		**16,571**	15,321	31,106
TOTAL CURRENT LIABILITIES		**52,969,927**	55,270,643	49,453,222
NET CURRENT ASSETS (LIABILITIES)		**24,822,399**	10,581,483	(373,875)
TOTAL ASSETS LESS CURRENT LIABILITIES		**113,026,473**	103,414,344	93,368,129
NON-CURRENT LIABILTIES				
Bank borrowings – due after one year		**11,711,454**	10,525,603	4,696,770
Liability component of convertible bonds		**924,458**	1,095,225	–
Derivatives component of convertible bonds		**705,180**	991,660	–
Deferred tax liabilities		**497,186**	505,397	578,097
Medium-term debentures and bonds – due after one year		**39,564,338**	36,271,871	39,720,060
Guaranteed notes		**–**	–	2,070,436
Deferred income		**376,745**	287,021	114,668
TOTAL NON-CURRENT LIABILITIES		**53,779,361**	49,676,777	47,180,031
NET ASSETS		**59,247,112**	53,737,567	46,188,098
CAPITAL AND RESERVES				
Share capital	*15*	**573,171**	526,966	474,057
Reserves		**56,284,538**	50,992,750	44,599,143
Equity attributable to owners of the Company		**56,857,709**	51,519,716	45,073,200
Non-controlling interests		**2,389,403**	2,217,851	1,114,898
TOTAL EQUITY		**59,247,112**	53,737,567	46,188,098

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB"). This interim condensed consolidated financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB.

Merger accounting for business combination involving entities under common control

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

The net assets of the combining entity or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entity or business against the related investment costs have been made to capital reserve in the condensed consolidated statement of changes in equity. The details of the restated balances have been disclosed in note 18.

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

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 2017 except as disclosed below.

Merger accounting for business combination involving entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees and costs of furnishing information to shareholders, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

In the current interim period, the Group has applied, for the first time, the following new and revised IFRSs issued by the IASB which are effective for the Group's financial year beginning 1 January 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*
Amendments to IAS 28	As part of Annual Improvements to IFRSs 2014 – 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of IFRS 9 and 15 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial information. The new accounting policies are set out in note 4 below. The application of other new and revised IFRSs in the current interim period has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

IFRS 9 *Financial instruments*

IFRS 9 replaced IAS 39 *Financial Instruments: Recognition and Measurement*, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets; and 3) general hedge accounting. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9, and chosen not to restate comparative information.

(a) Classification and measurements

At the date of initial application of IFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of IFRS 9, as explained below:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of IFRS 9.

<u>Unlisted equity investment previously classified as available-for-sale investment carried at cost less impairment:</u>

For the available-for-sale unlisted equity investments carried at cost less impairment amounting to RMB6,000,000, the Group has not elected the option for designation at fair value through other comprehensive income ("FVTOCI") and reclassified them to financial assets at fair value through profit or loss ("FVTPL"). The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss. There is no material change in fair value as at 1 January 2018 as a result of change on classification.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under IAS 39.

(b) Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under IFRS 9.

<u>Trade receivables/other receivables/loans receivables/bills receivables with recourse at amortised cost:</u>

The Group applied the simplified approach to provide for expected credit losses ("ECL") under IFRS 9 and recognised lifetime expected losses for all trade receivables/other receivables/loans receivables/bills receivables with recourse. The trade receivables/other receivables/loans receivables/bills receivables with recourse are grouped based on shared credit risk characteristics for measuring ECL.

<u>Financial assets with low credit risk/credit risk has not increased significantly:</u>

The Group measured a 12-month ECL in respect of the following financial instruments:

Financial assets including restricted bank deposits and cash and cash equivalents for which credit risk has not increased significantly since initial recognition

IFRS 15 *Revenue from contracts with customers*

IFRS 15 superseded IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

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

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of IFRS 15 has no impact on the timing of revenue recognition in this regard.

As required for the interim condensed consolidated financial information, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount and timing of the revenue are affected by economic factors. Enhanced disclosures are set out in note 5.

4. CHANGE IN ACCOUNTING POLICIES

IFRS 9 *Financial instruments*

(a) Classification and measurements

All recognised financial assets that are within the scope of IFRS 9 are to be subsequently measured at amortised cost or fair value, depending on the entity's business model for managing the financial assets and cash flow characteristics of the asset.

There are two measurement categories into which the Group classifies its financial assets:

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on principal outstanding are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other income and gains, together with foreign exchange gains and losses.

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at financial assets at FVTPL. In addition, financial assets that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces an accounting mismatch. A gain or loss on financial asset that is subsequently measured at FVTPL is recognised in profit or loss and presented in "other income and gains" in the period in which it arises.

(b) Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables, loans receivables and bill receivables with recourse). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, other receivables, loans receivables and bill receivables with recourse, the Group applies the simplified approach permitted by IFRS 9 and records lifetime ECL that results from all possible default events over the expected life of these financial instruments. In estimating the ECL, the Group has established a provision matrix taking into account the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

For other financial instruments, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from possible default events within 12 months after the reporting date, unless when there has been a significant increase in credit risk since initial recognition of the financial instrument, the allowance will be based on the lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with that assessed at the date of initial recognition. In making the assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the above requirements, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have a low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default and is estimated as the difference between all contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

IFRS 15 *Revenue from contracts with customers*

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

(i) Identify the contract with the customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue of the Group is recognised at a point in time when the customer obtains control of the distinct goods or service.

5. REVENUE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Revenue from sales of aluminum products		
– molten aluminum alloy	**33,365,759**	37,760,414
– aluminum alloy ingots	**2,584,222**	6,190,914
– aluminum fabrication	**3,347,640**	2,224,083
– alumina products (note)	**4,766,056**	970,931
Steam supply income	**262,893**	21,888
	44,326,570	47,168,230

Note: During the current period, sale of alumina products become ordinary activities of the Group and are recorded as revenue as the management of the Company decide to capture the growth in demand of alumina products in the market. To conform the sales presentation, last period's sales were reclassified from other income to revenue and related cost of goods sold for the period ended 30 June 2017.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Geographical region		
The PRC	**43,182,171**	46,607,639
Malaysia	**597,974**	148,533
Japan	**74,773**	32,635
Europe	**14,212**	217,201
Others	**457,440**	162,222
Total	**44,326,570**	47,168,230
Type of customers		
Government related	**2,537**	–
Non-government related	**44,324,033**	47,168,230
Total	**44,326,570**	47,168,230
Sales channels		
Direct sales	**44,326,570**	47,168,230
Timing of revenue recognition		
At a point in time	**44,326,570**	47,168,230

6. INCOME TAX EXPENSES

The Group calculates the period income tax expenses using the tax rate 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Current tax:		
– Hong Kong Profits Tax	**–**	3,364
– PRC Enterprise Income Tax	**1,125,477**	1,374,280
	1,125,477	1,377,644
Over provision in previous years:		
– PRC Enterprise Income Tax	**(3,926)**	–
Deferred taxation	**16,611**	(767,052)
Total income tax expenses	**1,138,162**	610,592

7. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Dividends recognised as distribution during the period	**1,697,064**	–

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

No dividend was paid or proposed by the Company during the six months ended 30 June 2017.

8. 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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Earnings		
Earnings for the purpose of basic earnings per share	**1,804,265**	1,488,047
Effect of dilutive potential ordinary shares:		
– Interest expense on liability component of convertible bonds	**98,053**	–
– Changes in fair values of derivatives component of convertible bonds	**(78,920)**	–
– Exchange loss on translation of liability component of convertible bonds	**29,024**	–
Earnings for the purpose of diluted earnings per share	**1,852,422**	1,488,047

	Six months ended 30 June	
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,693,664**	7,259,766
Effect of dilutive potential ordinary shares:		
Convertible bonds	**256,804**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,950,468**	7,259,766

Diluted earnings per share for the six months ended 30 June 2017 was the same as basic earnings per share as there were no potential ordinary shares outstanding during that period or as at 30 June 2017.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group purchased property, plant and equipment approximately RMB679,518,000 (six months ended 30 June 2017: approximately RMB503,017,000), excluding property, plant and equipment transferred from construction in progress approximately RMB266,072,000 (six months ended 30 June 2017: approximately RMB5,820,389,000) and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB99,821,000 (six months ended 30 June 2017: RMB100,000).

During the six months ended 30 June 2018, the Group spent approximately RMB467,808,000 (six months ended 30 June 2017: RMB5,359,527,000) on the construction of its new product lines and environmental protection facilities for power plant.

The depreciation of the Group for the six months ended 30 June 2018 is approximately RMB3,648,444,000 (six months ended 30 June 2017: RMB3,698,544,000).

10. GOODWILL

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Unaudited and restated)
Cost		
At beginning of the financial period/year	**1,934,457**	311,769
Acquired on acquisition of subsidiaries	**–**	1,622,688
At the end of the financial period/year	**1,934,457**	1,934,457
Impairment		
At beginning and end of the financial period/year	**668,694**	–
Impairment loss recognised during the period/year	**508,486**	668,694
At the end of the financial period/year	**1,177,180**	668,694
Carrying amount		
At the end of the financial period/year	**757,277**	1,265,763

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in consolidated financial statements for the year ended 31 December 2017.

During the period ended 30 June 2018, the Group recognised an impairment loss of approximately RMB508,486,000 (31 December 2017: RMB668,694,000) in relation to goodwill arising on acquisition of Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang"), resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang.

11. AVAILABLE-FOR-SALE INVESTMENT/FINANCIAL ASSET AT FVTPL

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Unaudited and restated)
Available-for-sale investment		
Unlisted investment:		
– equity security	**–**	6,000
Investments in unlisted equity security at FVTPL	**6,000**	–

12. INVENTORIES

At 30 June 2018, the carrying amounts of the Group's inventories were net of impairment provision of approximately RMB71,786,000 (31 December 2017: RMB111,393,000).

During the period, inventories previously provided were sold at profit. As a result, a reversal of provision of approximately RMB45,462,000 (six months ended 30 June 2017: RMB11,208,000) has been recognised and included in other income and gains in the current year.

13. TRADE RECEIVABLES

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Unaudited and restated)
Trade receivables	**4,150,536**	2,416,758
Less: allowance for impairment losses	**(30,658)**	(13,841)
	4,119,878	2,402,917

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

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Unaudited and restated)
Within 3 months	**3,653,919**	2,142,452
3-12 months	**402,338**	259,846
12-24 months	**63,527**	618
24-36 months	**94**	1
	4,119,878	2,402,917

14. TRADE AND BILLS PAYABLES

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Unaudited and restated)
Trade payables	**12,293,556**	14,060,100
Bills payable	**2,000,000**	2,000,000
	14,293,556	16,060,100

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 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Unaudited and restated)
Within 6 months	**12,240,748**	13,894,747
6-12 months	**17,350**	122,227
1-2 years	**4,593**	37,417
More than 2 years	**30,865**	5,709
	12,293,556	14,060,100

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

15. ISSUED CAPITAL

	Number of shares		**Share Capital**	
	30 June 2018	31 December 2017	**30 June 2018** *US$*	31 December 2017 *US$*
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	30 June 2018	31 December 2017	**30 June 2018** *US$*	31 December 2017 *US$*
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,778,432,349**	8,057,888,193	**87,784,323**	80,578,882

	Number of shares	**Share Capital** *RMB'000*
Issued and fully paid:		
At 1 January 2017	7,259,766,023	474,057
Issue of shares upon share subscription (note (a))	806,640,670	53,454
Shares repurchased and cancelled	(8,518,500)	(545)
At 31 December 2017 and 1 January 2018	8,057,888,193	526,966
Issue of shares upon share subscription (note (b))	650,000,000	41,710
Issue of shares upon conversion of convertible bonds (note (c))	70,544,156	4,495
At 30 June 2018	8,778,432,349	573,171

Notes:

(a) On 24 November 2017, 806,640,670 ordinary shares of US$0.01 each were issued and allotted at a price of HK$6.8 per share, raising a total proceeds of approximately RMB4,667,964,000, net of share issue expense of approximately RMB1,440,000.

(b) On 23 January 2018, 650,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.6 per share, raising a total proceeds of approximately RMB5,060,159,000, net of share issue expense of approximately RMB60,822,000.

(c) During the six months ended 30 June 2018, CB with principal amount US$73,600,000 was converted into 70,544,156 ordinary shares of the Company at par at the conversion price of HK$8.16 per ordinary share.

The Company does not have any share option scheme.

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

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

Date of repurchase	**No. of ordinary share of US$0.01 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$*
25 June 2018	1,660,000	6.90	6.60	11,311,000
26 June 2018	2,690,500	7.11	6.60	18,605,000
27 June 2018	2,054,000	7.15	6.83	14,276,000
28 June 2018	3,968,000	7.30	6.87	27,948,000
29 June 2018	2,988,000	7.40	7.10	21,987,000

None of the shares were cancelled and they were recognised as treasury shares as at 30 June 2018. These shares were subsequently cancelled in July 2018.

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

16. DISPOSAL OF A SUBSIDIARY

On 30 June 2018, 濱州市沾化區匯宏新材料有限公司(“Zhanhua Huihong New Material”), an indirect wholly-owned subsidiary of the Company, disposed of the entire issued share capital of 濱州市沾化區茂宏新材料有限公司 (“Zhanhua Maohong New Material”), a company directly wholly-owned by Zhanhua Huihong New Material, to an independent third party at a cash consideration of RMB2,950,000,000. RMB590,000,000 of the consideration was received during the period. The remaining balances in aggregate of RMB2,360,000,000 is guaranteed by the acquirer's associated company which also is one of the major suppliers of the Group. The fair value of the consideration is assessed at net present value and discounted by weighted averaged borrowing costs of the Group.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,182,302
Other receivables	298,828
Cash and cash equivalents	1,000
Net assets disposed of	3,482,130

Loss on disposal of a subsidiary

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

Consideration of the disposal

	RMB'000
Consideration of the disposal	2,833,358
Less: cash consideration received during the period	(590,000)
Consideration receivable (included in other receivables)	2,243,358
Analysed for reporting purposes as:	
Non-current assets	819,908
Current assets	1,423,450
	2,243,358

Net cash inflow arising on disposal

	RMB'000
Cash consideration received	590,000
Less: cash and cash equivalents disposed of	(1,000)
	589,000

17. COMMITMENTS

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Unaudited and restated)
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**1,049,303**	1,014,242

18. ACQUISITOIN

Business combination under common control

As mentioned in note 2, the acquisition of Chongqing Weiqiao has been accounted for business combination under common control. Accordingly, the assets and liabilities of Chongqing Weiqiao acquired by the Group have been accounted for at historical cost and the consolidated financial statements of the Group for period prior to the combination have been restated to include the consolidated financial position and results of operation of Chongqing Weiqiao on a combined basis. The details of the unaudited and restated balances are as follows:

The summarised results of operations for the six months ended 30 June 2017 and the financial position as at 31 December 2017 and 1 January 2017 are set out below:

	The Group *RMB'000* (as previously reported)	**Chongqing Weiqiao** *RMB'000*	**Inter-company eliminations** *RMB'000*	**The Group** *RMB'000* (Unaudited and restated)
Results of operations for the six months ended 30 June 2017				
Revenue	47,168,230	–	–	47,168,230
Cost of sales	(39,966,253)	–	–	(39,966,253)
Gross profit	7,201,977	–	–	7,201,977
Other income and gains	1,083,386	27,039	–	1,110,425
Selling and distribution expenses	(148,992)	–	–	(148,992)
Administrative expenses	(744,422)	(9,522)	–	(753,944)
Other expenses	(3,406,943)	(5,265)	–	(3,412,208)
Finance costs	(2,069,803)	(299)	–	(2,070,102)
Changes in fair value of derivatives	(3,138)	–	–	(3,138)
Share of profits of associates	191,427	–	–	191,427
Profit before taxation	2,103,492	11,953	–	2,115,445
Income tax expenses	(609,501)	(1,091)	–	(610,592)
Profit for the year	1,493,991	10,862	–	1,504,853
Attributable to:				
Owners of the Company	1,482,073	5,974	–	1,488,047
Non-controlling interests	11,918	4,888	–	16,806
Other comprehensive income for the year	1,493,991	10,862	–	1,504,853

	The Group	Chongqing Weiqiao	Inter-company eliminations	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(as previously reported)			(Unaudited and restated)
Results of operations for the six months ended 30 June 2017 (Continued)				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translating foreign operations	(59,304)	–	–	(59,304)
Total comprehensive income for the period, net of income tax	1,434,687	10,862	–	1,445,549
Total comprehensive income for the period attributable to				
Owners of the Company	1,448,248	5,974	–	1,454,222
Non-controlling interests	(13,561)	4,888	–	(8,673)
	1,434,687	10,862	–	1,445,549
Earnings per share				
– Basic and diluted	0.204	0.001	–	0.205
Financial position as at 31 December 2017				
NON-CURRENT ASSETS				
Property, plant and equipment	83,985,765	57,347	–	84,043,112
Intangible assets	13,972	–	–	13,972
Prepaid lease payments	3,806,787	–	–	3,806,787
Investment properties	150,931	–	–	150,931
Deposits paid for acquisition of property, plant and equipment	421,144	–	–	421,144
Deposits paid for acquisition of land	14,968	–	–	14,968
Deferred tax assets	1,784,856	–	–	1,784,856
Interests in associates	1,325,328	–	–	1,325,328
Goodwill	1,265,763	–	–	1,265,763

	The Group RMB'000 (as previously reported)	Chongqing Weiqiao RMB'000	Inter-company eliminations RMB'000	The Group RMB'000 (restated)
Financial position as at 31 December 2017 (Continued)				
Available-for-sale investment	6,000	–	–	6,000
	92,775,514	57,347	–	92,832,861
CURRENT ASSETS				
Prepaid lease payments	85,902	–	–	85,902
Inventories	15,585,329	–	–	15,585,329
Trade receivables	2,211,734	1,245,683	(1,054,500)	2,402,917
Bills receivables	11,912,479	–	–	11,912,479
Prepayments, loan and other receivables	12,359,226	295,688	–	12,654,914
Other financial assets	57	–	–	57
Restricted bank deposits	1,262,589	–	–	1,262,589
Cash and cash equivalents	21,925,568	22,371	–	21,947,939
	65,342,884	1,563,742	(1,054,500)	65,852,126
CURRENT LIABILITIES				
Trade and bills payables	16,060,100	1,054,500	(1,054,500)	16,060,100
Other payables and accruals	16,343,471	5,589	–	16,349,060
Bank borrowings – due within one year	9,529,148	–	–	9,529,148
Income tax payable	1,163,430	–	–	1,163,430
Short-term debentures and notes	3,000,000	–	–	3,000,000
Medium-term debentures and bonds – due within one year	7,196,185	–	–	7,196,185
Guaranteed notes	1,957,399	–	–	1,957,399
Deferred income	15,321	–	–	15,321
	55,265,054	1,060,089	(1,054,500)	55,270,643
NET CURRENT ASSETS	10,077,830	503,653	–	10,581,483
TOTAL ASSETS LESS CURRENT LIABILITIES	102,853,344	561,000	–	103,414,344

	The Group *RMB'000* (as previously reported)	Chongqing Weiqiao *RMB'000*	Inter-company eliminations *RMB'000*	The Group *RMB'000* (Unaudited and restated)
Financial position as at 31 December 2017 (Continued)				
NON-CURRENT LIABILTIES				
Bank borrowings – due after one year	10,509,118	16,485	–	10,525,603
Liability component of convertible bonds	1,095,225	–	–	1,095,225
Derivatives component of convertible bonds	991,660	–	–	991,660
Deferred tax liabilities	505,125	272	–	505,397
Medium-term debentures and bonds – due after one year	36,271,871	–	–	36,271,871
Deferred income	263,479	23,542	–	287,021
	49,636,478	40,299	–	49,676,777
NET ASSETS	53,216,866	520,701	–	53,737,567
CAPITAL AND RESERVES				
Share capital	526,966	275,000	(275,000)	526,966
Reserves	50,706,364	11,386	275,000	50,992,750
Equity attributable to owners of the Company	51,233,330	286,386	–	51,519,716
Non-controlling interests	1,983,536	234,315	–	2,217,851
TOTAL EQUITY	53,216,866	520,701	–	53,737,567
Financial position as at 1 January 2017				
NON-CURRENT ASSETS				
Property, plant and equipment	86,658,456	48	–	86,658,504
Prepaid lease payments	3,066,503	–	–	3,066,503
Deposits paid for acquisition of property, plant and equipment	1,745,089	–	–	1,745,089
Deposits paid for acquisition of land	443,390	–	–	443,390
Deferred tax assets	557,322	–	–	557,322
Interests in associates	944,796	–	–	944,796
Goodwill	311,769	–	–	311,769
Other financial assets	14,631	–	–	14,631
	93,741,956	48	–	93,742,004

	The Group	Chongqing Weiqiao	Inter-company eliminations	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(as previously reported)			(Unaudited and restated)
Financial position as at 1 January 2017 (Continued)				
CURRENT ASSETS				
Prepaid lease payments	56,152	–	–	56,152
Inventories	17,143,324	–	–	17,143,324
Trade receivables	363,314	–	–	363,314
Bills receivables	9,721,942	–	–	9,721,942
Prepayments, loan and other receivables	8,242,544	232,569	(232,000)	8,243,113
Other financial assets	13,047	–	–	13,047
Restricted bank deposits	396,808	–	–	396,808
Cash and cash equivalents	12,842,380	299,267	–	13,141,647
	48,779,511	531,836	(232,000)	49,079,347
CURRENT LIABILITIES				
Trade and bills payables	7,506,386	–	–	7,506,386
Other payables and accruals	12,603,276	7,088	(232,000)	12,378,364
Bank borrowings – due within one year	14,310,943	–	–	14,310,943
Other financial liabilities	1,691	–	–	1,691
Income tax payable	724,632	–	–	724,632
Short-term debentures and notes	11,000,000	–	–	11,000,000
Medium-term debentures and bonds – due within one year	731,664	–	–	731,664
Guaranteed notes	2,768,436	–	–	2,768,436
Deferred income	6,106	25,000	–	31,106
	49,653,134	32,088	(232,000)	49,453,222
NET CURRENT (LIABILITIES) ASSETS	(873,623)	499,748	–	(373,875)
TOTAL ASSETS LESS CURRENT LIABILITIES	92,868,333	499,796	–	93,368,129

	The Group	Chongqing Weiqiao	Inter-company eliminations	The Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(as previously reported)			(Unaudited and restated)
Financial position as at 1 January 2017 (Continued)				
NON-CURRENT LIABILTIES				
Bank borrowings – due after one year	4,696,770	–	–	4,696,770
Deferred tax liabilities	578,097	–	–	578,097
Medium-term debentures and bonds – due after one year	39,720,060	–	–	39,720,060
Guaranteed notes	2,070,436	–	–	2,070,436
Deferred income	114,668	–	–	114,668
	47,180,031	–	–	47,180,031
NET ASSETS	45,688,302	499,796	–	46,188,098
CAPITAL AND RESERVES				
Share capital	474,057	275,000	(275,000)	474,057
Reserves	44,324,255	(112)	275,000	44,599,143
Equity attributable to owners of the Company	44,798,312	274,888	–	45,073,200
Non-controlling interests	889,990	224,908	–	1,114,898
TOTAL EQUITY	45,688,302	499,796	–	46,188,098

19. COMPARATIVR FIGURES

As a result of the retrospective adjustment of the merger acquisition, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed in 2017 interim financial information.

20. EVENTS AFTER THE REPORTING PERIOD

On 24 July 2018, the Company and Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman") entered into the aluminum products sales framework agreement (the "Agreement") for a term ending on 31 December 2020, pursuant to which the Group agreed to sell aluminum products to Caseman. Caseman is an indirect subsidiary of CITIC Group Corporation, whose indirect subsidiaries namely CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited currently holds 10.04% of the total issued shares of the Company. Therefore, the transactions under the Agreement constitute continuing connected transactions of the Company. Further details are set out in the announcement of the Company dated 24 July 2018.

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Hongqiao Group Limited (the "Company" or "China Hongqiao"), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Period" or "Period under Review").

In the first half of 2018, the world economy struggled to move forward amid the many challenges. Despite that the world economy has maintained its growth momentum driven by the early-stage recovery and relevant policies, the fundamentals of the recovery were still not stable. China's domestic structural adjustment was also at a critical point, the Chinese government has launched a new round of reform and opening up measures in the past six months. The structural adjustment has advanced further, and the Gross Domestic Product (GDP) in China continued with steady development on a solid foundation, posting a year-on-year growth of approximately 6.8%. However, due to unfavourable factors such as the heated international trade protectionism, certain businesses of the Group may still face different uncertainties in the future. The Group will monitor closely the situation and seek opportunities to actively cope with the challenges.

During the Period, the Group maintained its base in Shandong with a vision on the global market. It endeavoured to accelerate the industrial cluster development through the business model of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration", which further enhanced the Group's management standard. During the Period, the Group continued to accelerate the process of replacement of new production facilities. The 600kA aluminum electrolytic cell operated by the Company has effectively improved energy efficiency. During the Period, the "Development of Energy-Saving Standardization Demonstration for Electrolytic Aluminum Production" project declared by the Group was included in the "Notice on the Establishment of National Energy-Saving Standardization Demonstration Project by 55 Units including the China General Chamber of Commerce (CGCC)" issued by the Standardization Administration of the People's Republic of China (SAC) as an initiative project, and we became the only PRC aluminum smelting enterprise being selected. For its overseas businesses, the Group entered Africa, aligning its strategies with the "One Belt One Road" initiative of the PRC government and continued to obtain successful results in the bauxite project developed in Guinea of Africa. Furthermore, the Group continued to implement its strategy of "multi-channels of overseas bauxite resources" and expanded bauxite supply from Australia, Soloman Islands and other regions which allowed the Group to maintain stable supply of upstream raw materials with more effective control over the costs of raw materials. The operation of the alumina project of the Group in Indonesia remained solid and smooth, and the benefit of the successful operation of overseas projects will continue to increase the profits for the Group in the coming future.

During the Period under Review, the Group's aggregate production volume of aluminum alloy products amounted to approximately 3,187,000 tons (approximately 3,995,000 tons for the same period in 2017), representing a decrease of approximately 20.2% as compared to the aggregate production volume in the same period in 2017, mainly due to the slight decrease of operating production capacity of aluminum alloy products of the Group as compared with the same period last year as the Group responded to the supply side reform in China aluminum industry in closing down some production lines in the second half of 2017. The Group has therefore incurred material asset impairment. As of 30 June 2018, the material loss brought by asset shut off was basically settled.

During the Period under Review, the Group's revenue amounted to approximately RMB44,326,570,000, representing a year-on-year decrease of approximately 6.0%; gross profit amounted to approximately RMB6,511,107,000, representing a year-on-year decrease of approximately 9.6%; net profit attributable to shareholders of the Company amounted to approximately RMB1,804,265,000, representing a year-on-year increase of approximately 21.3%; basic earnings per share amounted to approximately RMB0.208 (same period in 2017: approximately RMB0.205). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018.

After years of rapid development, the Group has initially formed an upstream and downstream full-chain operation and sales layout for bauxite mining, aluminum, electrolytic aluminum and in-depth processing products benefiting from the economy of scale. During the Period, the Group continued to increase research and development investment and strived to achieve new breakthroughs in aluminum industry technology and aluminum products application, and promoted the high-quality development of the aluminum processing industry. At the same time, the Group has continued to spend full effort to implement various energy conservation and emission reduction plans, continuously improve environmental protection technologies and make unremitting efforts to maintain ultra-low emissions and realise zero emissions.

Looking forward, the Group will continue to strengthen its core competitive edge, improve the industrial model, enhance management standard and ensure its sustainable development. In addition, the Group will further invest in research and development, actively act as a local leading enterprise in the industrial cluster to support and promote the stable development of the surrounding aluminum processing. The Group will also continuously optimize its financial structure to ensure financial stability. In the future, the Group will continue to actively respond to national policies and put in more resources on the work of energy conservation and emission reduction, as well as safety and environmental protection while making further efforts to maximize the shareholders' interest.

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and all employees for their unrelenting efforts and dedication made in the first half of 2018, as well as to all the shareholders, investors and business partners for their support and trust.

Zhang Shiping
Chairman of the Board

24 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Period under Review, the international aluminum price fluctuated greatly with a decline earlier in the year before staging a significant rebound later and the upward trend was cautiously maintained for the rest of the Period. For the first half of 2018, the average prices of spot aluminum and three-months aluminum futures at London Metal Exchange (LME) were approximately US$2,209 per ton and US$2,210 per ton, respectively, representing a year-on-year increase of approximately 17.4% and 17.2% respectively. (Source: Antaike)

During the Period, the price of domestic aluminum futures fluctuated widely. In the first half of 2018, the price of domestic aluminum gradually broke the weakening trend of the first quarter under the recovery of consumption in the second quarter. Aluminum price experienced a significant rise since April. Overall, the average prices of spot aluminum and three-months aluminum futures at Shanghai Futures Exchange (SHFE) were approximately RMB14,386 per ton (including VAT) and RMB14,619 per ton (including VAT), respectively, which increased by approximately 4.8% and 4.9% respectively as compared with the same period last year. (Source: Antaike)

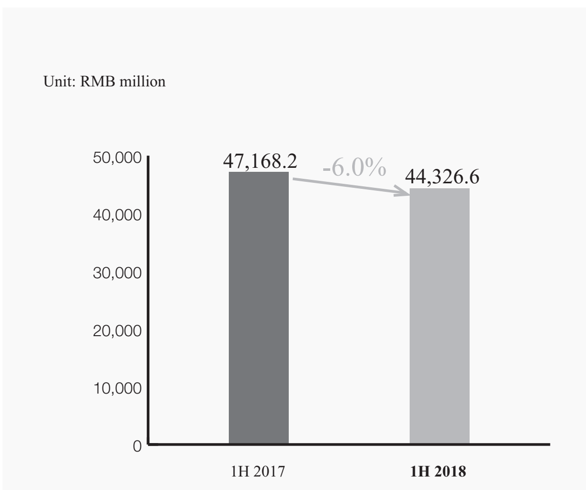
According to Antaike, in the first half of 2018, the global primary aluminum production and consumption maintained growth momentum. The global primary aluminum production was approximately 31,690,000 tons, representing a year-on-year increase of approximately 1.5%; as for consumption, the global primary aluminum consumption was approximately 33,180,000 tons in the first half of 2018, representing a year-on-year increase of approximately 3.3%. The global aluminum industry was in short supply. Comparing with the global market, primary aluminum production in China declined in the first half of 2018 as compared to the same period of last year, yet primary aluminum consumption in China has shown a growth trend. The primary aluminum production in China was approximately 17,990,000 tons, representing a year-on-year decrease of approximately 3.2%; the primary aluminum consumption in China was approximately 17,930,000 tons, representing a year-on-year increase of approximately 2.3%, the balance in demand and supply for the aluminum industry in China was generally maintained. (Source: Antaike)

BUSINESS REVIEW

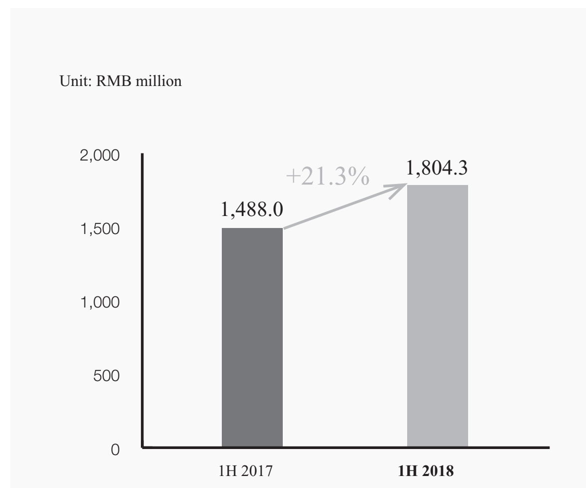
During the Period, being affected by the shut off of some production capacity in the second half of 2017, the Group's total output of aluminum alloy products amounted to approximately 3,187,000 tons, representing a year-on-year decrease of approximately 20.2%. The production volume of aluminum fabrication products reached approximately 233,000 tons, representing a year-on-year increase of approximately 14.2%.

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2018 and for the same period of 2017 together with comparison figures are as follows:

Revenue (Unaudited)



Net profit attributable to owners of the Company (Unaudited)



For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB44,326,570,000, representing a year-on-year decrease of approximately 6.0%, which was mainly due to the decrease in the Group's output and sales volume of aluminum products during the Period as compared with the same period last year as the Group responded to the supply side reform in China aluminum industry in closing down some aluminum alloy products production lines in the second half of 2017.

For the six months ended 30 June 2018, net profit attributable to owners of the Company amounted to approximately RMB1,804,265,000, representing a year-on-year increase of approximately 21.3%, mainly due to the significant decrease in impairment loss of property, plant and equipment recognized and impairment loss of goodwill recognized of approximately RMB508,486,000 as compared with impairment loss of RMB3,361,587,000 for the same period in 2017 mainly attributable to the shut off of some production capacity, which the Group accounted for as other expenses.

FINANCIAL REVIEW

The following table shows the breakdown of revenue by products for the six months ended 30 June 2018 and for the same period of 2017:

	For the six months ended 30 June			
	2018		2017	
Products	**Revenue** ***RMB'000***	**Proportion of sales revenue to total revenue** ***%***	Revenue *RMB'000*	Proportion of sales revenue to total revenue *%*
Aluminum alloy products	**35,949,981**	**81.1**	43,951,328	93.2
Aluminum fabrication products	**3,347,640**	**7.6**	2,224,083	4.7
Alumina products	**4,766,056**	**10.8**	970,931	2.0
Steam	**262,893**	**0.5**	21,888	0.1
Total	**44,326,570**	**100.0**	47,168,230	100.0

As for the revenue, the Group's revenue derived from aluminum alloy products was approximately RMB35,949,981,000, accounting for approximately 81.1% of the total revenue for the six months ended 30 June 2018 and representing a decrease as compared with the same period of last year, which was mainly due to the fact that the Group shut off some aluminum alloy products production lines in the second half of 2017 which resulted in a decrease in both output and sale volume of aluminum alloy products during the Period as compared with the same period last year. For the six month ended 30 June 2018, the Group's revenue derived from alumina products amounted to approximately RMB4,766,056,000, accounting for approximately 10.8% of the total revenue and representing an increase as compared with the same period of last year, which was mainly due to the increase in both sales volume and unit price of alumina of the Group.

Distribution and selling expenses

For the six months ended 30 June 2018, the Group's distribution and selling expenses were approximately RMB97,301,000, representing a decrease of approximately 34.7% as compared with approximately RMB148,992,000 for the corresponding period of last year, which was mainly due to the decrease in sales volume of aluminum products of the Group and the decrease in unit transportation cost of aluminum products during the Period.

Administrative expenses

For the six months ended 30 June 2018, administrative expenses of the Group amounted to approximately RMB1,599,437,000, representing an increase of approximately 112.1% as compared with approximately RMB753,944,000 for the corresponding period of last year. The main reason was that the assets depreciation which was accounted for as administrative expenses increased during the Period as the Group responded to the supply side reform in China aluminum industry to shut off certain production capacity in the second half of 2017 and staff remuneration increased.

Finance costs

For the six months ended 30 June 2018, finance costs of the Group were approximately RMB1,982,844,000, representing a decrease of approximately 4.2% as compared with approximately RMB2,070,102,000 for the corresponding period of last year. This was mainly due to the decrease of total amount of interest-bearing debt of the Group during the Period as compared to the same period of last year.

Liquidity and financial resources

As at 30 June 2018, cash and cash equivalents of the Group were approximately RMB36,547,754,000, representing an increase of approximately 66.5% as compared with approximately RMB21,947,939,000 as at 31 December 2017. The increase in cash and cash equivalents was mainly due to the cash inflow from operating activities, investing activities and financing activities of the Group during the Period.

For the six months ended 30 June 2018, the Group had a net cash inflow from operating activities of approximately RMB5,876,949,000, a net cash inflow from investing activities of approximately RMB2,295,566,000, and a net cash inflow from financing activities of approximately RMB6,422,001,000.

For the six months ended 30 June 2018, the capital expenditure of the Group amounted to approximately RMB679,518,000, mainly for the renovation and upgrading of the environmental protection projects and construction of alumina production base.

As at 30 June 2018, the Group had capital commitment of approximately RMB1,049,303,000 representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the renovation and upgarding of the environmental protection projects and construction of alumina production base.

For the six months ended 30 June 2018, the Group's average turnover days of trade receivables for aluminium products were approximately 9 days, representing an increase of 3 days as compared with approximately 6 days for the corresponding period of last year. This was mainly because certain length of credit period was granted to the downstream clients by the Group and the corresponding trade receivables increased with the growth in the sales volume of the Group's in-depth aluminum processing products.

For the six months ended 30 June 2018, the Group's turnover days of inventory were approximately 78 days, which was similar to approximately 79 days for the corresponding period of last year.

Income tax

The Group's income tax for the first half of 2018 amounted to approximately RMB1,138,162,000, representing an increase of approximately 86.4% as compared with approximately RMB610,592,000 for the corresponding period of last year, mainly attributable to the increase in profit before tax and the decrease in deferred tax of the Group.

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

For the six months ended 30 June 2018, net profit attributable to owners of the Company was approximately RMB1,804,265,000, representing an increase of approximately 21.3% as compared with approximately RMB1,488,047,000 for the corresponding period of last year. During the Period, the basic earnings per share of the Company were approximately RMB0.208.

Interim dividends

The Board did not recommend any interim dividends for the six months ended 30 June 2018 (corresponding period of 2017: nil).

Capital structure

The Group has established an appropriate liquidity risk management framework to manage its short, medium and long-term funding needs and to satisfy its liquidity management requirements. As at 30 June 2018, cash and cash equivalents of the Group amounted to approximately RMB36,547,754,000 (31 December 2017: approximately RMB21,947,939,000), which were mainly put in commercial banks. Considering that as at 30 June 2018, approximately RMB25,420,766,000 of the Group's debts will be due within a year, such level of cash and cash equivalents would facilitate in ensuring stable operation and flexibility of the Group's business. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources to satisfy the business need and maintain a good and stable financial position.

As at 30 June 2018, the total liabilities of the Group amounted to approximately RMB106,749,288,000 (31 December 2017: approximately RMB104,947,420,000). Gearing ratio (total liabilities to total assets) was approximately 64.3% (31 December 2017: approximately 66.1%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and prepaid lease payments as collateral for bank borrowings to provide funding for its daily business operation. As at 30 June 2018, the Group had secured bank borrowings of approximately RMB10,048,799,000 (31 December 2017: approximately RMB8,916,083,000).

As at 30 June 2018, the Group's total bank borrowings were approximately RMB28,428,808,000. The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 30 June 2018, approximately 24.1% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 75.9% were subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 30 June 2018, debts except bank borrowings of the Group including RMB4,000,000,000 of short-term notes, approximately RMB41,315,453,000 of medium-term notes and bonds, approximately RMB2,952,297,000 of guaranteed notes as well as approximately RMB1,629,638,000 of convertible bonds with interest rates ranging from 4.04% to 8.69% per annum. The issuance of such notes and bonds helps to optimise the Group's debt structure and reduce its financial costs.

As at 30 June 2018, the Group had net current assets of approximately RMB24,822,399,000. The Group will continue to develop other financing channels by increasing part of the medium and long-term borrowings and optimising the structure of debts. In addition, the Group will sustain its existing production capacity advantage, control its production costs, improve its profitability and improve its cash flow position in order to maintain the adequate liquidity of the Group.

As at 30 June 2018, the Group's liabilities were mainly denominated in RMB and US Dollars, among which, RMB liabilities accounted for approximately 79.8% of the total liabilities, and US Dollars liabilities accounted for approximately 20.2% of the total liabilities. Cash and cash equivalents were mainly held in RMB and US Dollars, of which approximately 98.3% was held in RMB and approximately 1.4% was held in US Dollars.

Employee and remuneration policy

As of 30 June 2018, the Group had a total number of 47,829 employees, representing a decrease of 2,671 employees as compared with the beginning of the year, which was mainly attributable to the Group's implementation of the elimination system of the least competent for optimising human resources and motivating employees. During the Period, total staff costs of the Group amounted to approximately RMB1,763,263,000, representing approximately 4.0% of its total revenue. The remuneration packages of the employees include salaries and various types of benefits.

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

Exposure to foreign exchange risk

The Group collected 97.4% of the revenue in RMB and funded most of the capital expenditure in RMB. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is exposed to certain currency risks. As at 30 June 2018, the Group's bank balances denominated in foreign currencies were approximately RMB621,469,000 and its liabilities denominated in foreign currencies were approximately RMB15,854,884,000. For the six months ended 30 June 2018, the Group recognised foreign exchange loss of approximately RMB428,949,000.

Contingent liabilities

As at 30 June 2018, the Group had no significant contingent liabilities.

OUTLOOK

With the introduction of a series of policies for the aluminum industry and further reform of the aluminum market by the PRC government, the Group will face with challenges as well as opportunities in the course of its development. Under such challenges and opportunities, the Group will devote to implement the development strategies of "Integration of Upstream and Downstream Businesses", "Integration of Aluminum and Electricity" and "Global Integration" while actively responding to national policies, putting more efforts in environmental protection, energy conservation and efficiency enhancement. Meanwhile, we will focus more on technological innovation and enhance management standard further with reformation in terms of technology, talents and research and replacement of new production facilities.

Under the complex and volatile domestic and international market environment, the Group will continue to maintain its initial focus by actively carrying out its strategic plan and increase investment in research and development of key aluminum consumption sectors. With the advanced technological innovation on energy-saving, and more updated environmentally-friendly technology used in production, we will facilitate wider application of aluminum materials, help promoting the development of the surrounding aluminum processing industry and create a sustainable development system for the aluminum industry.

EVENTS AFTER THE REPORTING PERIOD

On 24 July 2018, the Company and Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman") entered into the aluminum products sales framework agreement (the "Agreement") for a term ending on 31 December 2020, pursuant to which the Group agreed to sell aluminum products to Caseman. Caseman is an indirect subsidiary of CITIC group Corporation, whose indirect subsidiaries namely CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited currently holds 10.04% of the total issued shares of the Company. Therefore, the transactions under the Agreement constitute continuing connected transactions of the Company. Further details are set out in the announcement of the Company dated 24 July 2018.

SUPPLEMENTARY INFORMATION

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

As at 30 June 2018, so far as it is known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong), or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group as follows:

Name of shareholder	**Capacity/type of interest**	**Total number of shares held**	**Approximate percentage of the total issued share capital as at 30 June 2018 (%)**
Mr. ZHANG Shiping [(1)]	Interest of a controlled corporation	5,969,092,073 (L)	68.00
Ms. ZHENG Shuliang [(2)]	Interest of spouse	5,969,092,073 (L)	68.00
Shiping Prosperity Private Trust Company [(3)]	Trustee	5,969,092,073 (L)	68.00
China Hongqiao Holdings [(3)] Limited ("Hongqiao Holdings")	Beneficial owner	5,969,092,073 (L)	68.00
CTI Capital Management Limited[(4)]	Beneficial owner	806,640,670 (L) 68,162,752 (S)	9.19 0.78
CNCB (Hong Kong) Investment Limited[(4)]	Beneficial owner	70,544,156 (L)	0.80
CITIC Limited[(4)]	Interest of a controlled corporation	877,184,826 (L) 68,162,752 (S)	9.99 0.78
CITIC Group Corporation[(4)]	Interest of a controlled corporation	877,184,826 (L) 68,162,752 (S)	9.99 0.78
The Capital Group Companies, Inc.[(5)]	Interest of a controlled corporation	546,182,000 (L)	6.22

(L) denotes long position; (S) denotes short position

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

Note (2): Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in the shares of the Company in which Mr. Zhang Shiping is interested.

Note (3): Shiping Prosperity Private Trust Company held these shares as trustee on behalf of Mr. Zhang Shiping.

Note (4): CITIC Group Corporation held 100% interest in CITIC Polaris Limited, which held 32.53% interest in CITIC Limited, and CITIC Group Corporation also held 100% interest in CITIC Glory Limited, which held 25.60% interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% interest in CITIC Limited. CITIC Limited held 100% interest in CITIC Corporation Limited. CITIC Corporation Limited held 80% interest in CITIC Trust Co., Ltd. and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 20% interest in CITIC Trust Co., Ltd. Thus CITIC Corporation Limited directly and indirectly held 100% interest in CITIC Trust Co., Ltd. CITIC Trust Co., Ltd held 100% interest in CTI Capital Management Limited, and thus CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CTI Capital Management Limited under the SFO.

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

Note (5): Pursuant to the Disclosure of Interests as published in the website of the Stock Exchange, the interest in shares of the Company held by The Capital Group Companies, Inc was through its wholly-owned subsidiary, Capital Research and Management Company.

Save as disclosed above, as at 30 June 2018, there is no other person had any share, interest in shares or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

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

As at 30 June 2018, the Directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Total number of shares held	Approximate percentage of long positions in the shares of the Company in the total issued share capital as at 30 June 2018 (%)
Mr. ZHANG Shiping [(1)]	Interest of a controlled corporation	5,969,092,073	68.00
Ms. ZHENG Shuliang [(2)]	Interest of spouse	5,969,092,073	68.00
Mr. ZHANG Bo [(3)]	Beneficial owner	8,870,000	0.10

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

Note (2): Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in the shares of the Company in which Mr. Zhang Shiping is interested.

Note (3): Mr. Zhang Bo is the son of Mr. Zhang Shiping and Ms. Zheng Shuliang.

Save as disclosed above, as of 30 June 2018, none of the Directors and the chief executive of the Company or any of their spouse or children under the age of 18 had or were deemed or taken to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the

Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2018 and up to the date of this announcement, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other associated corporate or had exercised any such right.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with the Corporate Governance Practice Code (the "CG Code") contained in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 24 August 2018 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018. The Audit Committee considers that the interim financial results for the six months ended 30 June 2018 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 25 June 2018, 26 June 2018, 27 June 2018, 28 June 2018, 29 June 2018, 3 July 2018, 4 July 2018, 5 July 2018, 6 July 2018, 9 July 2018, 10 July 2018, 11 July 2018, 12 July 2018, 13 July 2018, pursuant to the share repurchase mandate granted by the Shareholders of the Company at the annual general meeting held on 16 May 2018, the Company repurchased 1,660,000 ordinary shares, 2,690,500 ordinary shares, 2,054,000 ordinary shares, 3,968,000 ordinary shares, 2,988,000 ordinary shares, 2,330,000 ordinary shares, 3,705,000 ordinary shares, 3,570,000 ordinary shares, 2,496,000 ordinary shares, 1,920,000 ordinary shares, 1,594,000 ordinary shares, 1,870,000 ordinary shares, 5,138,500 ordinary shares and 6,923,500 ordinary shares of the Company respectively. There were 42,907,500 ordinary shares repurchased in total. On 11 July 2018, 16 July 2018 and 24 July 2018, the Company cancelled 42,907,500 ordinary shares repurchased in total which accounted for approximately 0.49% of the total issued shares as at 30 June 2018.

As at the date of this announcement, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
25 June 2018	1,660,000	6.90	6.66	11,311,000
26 June 2018	2,690,500	7.11	6.60	18,605,000
27 June 2018	2,054,000	7.15	6.83	14,276,000
28 June 2018	3,968,000	7.30	6.87	27,948,000
29 June 2018	2,988,000	7.40	7.10	21,987,000
3 July 2018	2,330,000	7.50	6.99	17,084,000
4 July 2018	3,705,000	7.45	7.23	27,298,000
5 July 2018	3,570,000	7.40	7.12	26,125,000
6 July 2018	2,496,000	7.60	7.32	18,796,000
9 July 2018	1,920,000	7.72	7.56	14,750,000
10 July 2018	1,594,000	7.84	7.67	12,355,000
11 July 2018	1,870,000	7.75	7.59	14,381,000
12 July 2018	5,138,500	7.70	7.55	39,090,000
13 July 2018	6,923,500	8.00	7.65	54,354,000
Total	42,907,500			318,360,000

The aforementioned shares were all cancelled on 24 July 2018. For details, please refer to the announcements of the Company dated 25 June 2018, 26 June 2018, 27 June 2018, 28 June 2018, 29 June 2018, 3 July 2018, 4 July 2018, 5 July 2018, 6 July 2018, 9 July 2018, 10 July 2018, 11 July 2018, 12 July 2018 and 13 July 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2018 and up to the date of this announcement.

SENIOR NOTES

On 27 October 2014, the Company issued 6.875% senior notes due 2018 in the aggregate principal amount of US$300,000,000 ("**Notes Due 2018**"). On 3 May 2018, the Company has redeemed the Notes Due 2018 in full at their principal amount together with interest accrued to the Maturity Date. Please refer to the announcements of the Company dated 27 October 2014, 6 November 2014 and 3 May 2018, respectively, for details.

On 17 April 2018, the Company issued 6.85% senior notes due 2019 in the aggregate principal amount of US$450,000,000. Please refer to the announcements of the Company dated 13 April 2018, 17 April 2018 and 27 April 2018, respectively, for details.

PLACING OF EXISTING SHARES, SUBSCRIPTION OF NEW SHARES PURSUANT TO THE PLACING AND SUBSCRIPTION AGREEMENT

On 23 January 2018, the Company has successfully placed a total of 650,000,000 placing shares at the placing price of HK$9.6 per placing share to six or more placees. A total of 650,000,000 placing shares has been allotted and issued to Hongqiao Holdings at the subscription price of HK$9.6 per subscription share. The net proceeds from the subscription were approximately HK$6.2 billion. The Company has fully ultilised the proceeds for the uses as described in the announcement of the Company dated 16 January 2018. Please refer to the announcements of the Company dated 16 January 2018 and 23 January 2018, respectively, for details.

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

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

On 25 January 2018, CNCB (Hong Kong) Investment Limited converted the convertible bonds for 23% of the initial amount held by it into 70,544,156 shares at the initial conversion price of HK$8.16 per share. Details of which were set out in the announcement of the Company dated 15 August 2017 and the next day disclosure return dated 25 January 2018.

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

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the six months ended 30 June 2018 and up to the date of this announcement.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Company has applied the principals as set out in the CG Code. For the six months period ended 30 June 2018, the Company has complied with the mandatory code provisions of the CG Code.

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 version of the interim report will be dispatched to the shareholders on or before 28 September 2018.

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

Shandong, the People's Republic of China
24 August 2018

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