



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

# China Hongqiao Group Limited

## 2020 Interim Results Announcement

Aug 2020





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## Industry Overview

Business Highlights

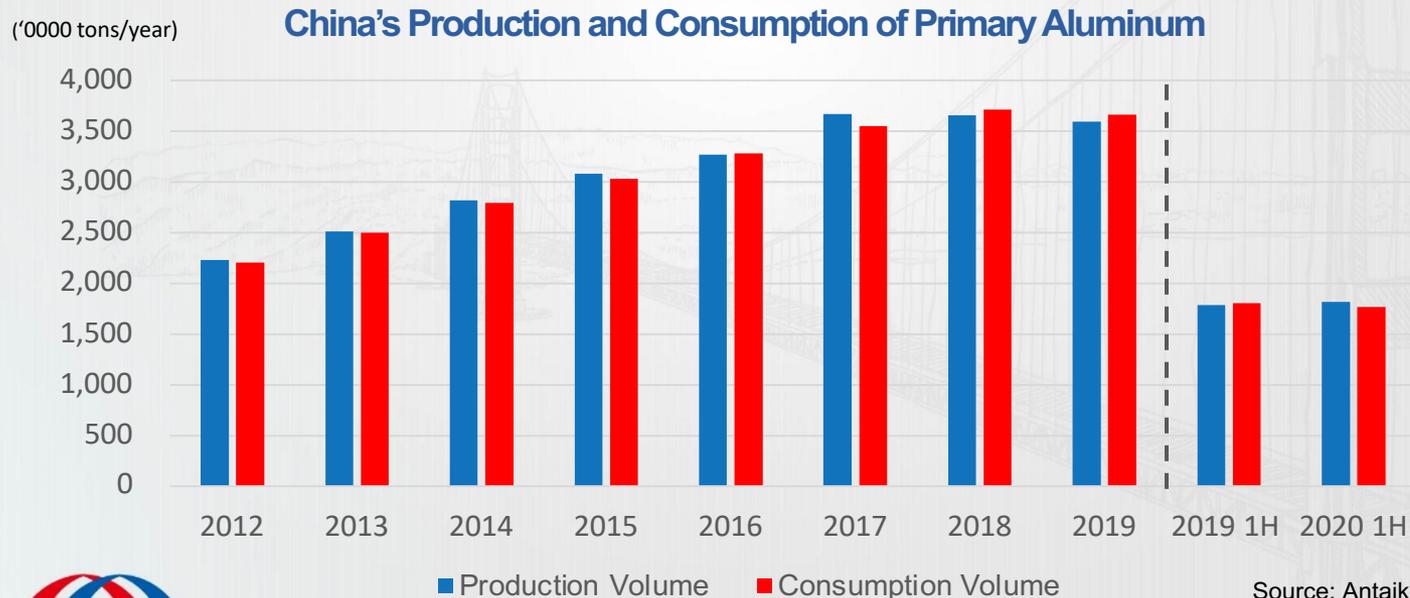
Financial Summary

Future Strategy

## 2020 1H Global Supply and Demand of Primary Aluminum Industry

- China's production volume of primary aluminum: **18,150,000** tons (+1.5% yoy)
- China's consumption volume of primary aluminum: **17,670,000** tons (-2.7% yoy)
- Global production volume of primary aluminum: **32,050,000** tons (+0.8% yoy)
- Global consumption volume of primary aluminum: **29,670,000** tons (-10.1% yoy)

In general, in 2020 1H, the production of primary aluminum increased in China. However, as the output from the new project was mainly concentrated at the end of second quarter, its impacts on market was not significant and the consumption declined in general. The consumption was concentrated in the second quarter as the execution of orders is hindered due to the Pandemic in the first quarter and the significant drops of aluminium price has stimulated the purchase overdraft of terminal enterprises. During the period, the production was less than the consumption, and the aluminium in stock dropped rapidly and led to an increase in prices.



Source: Antaika

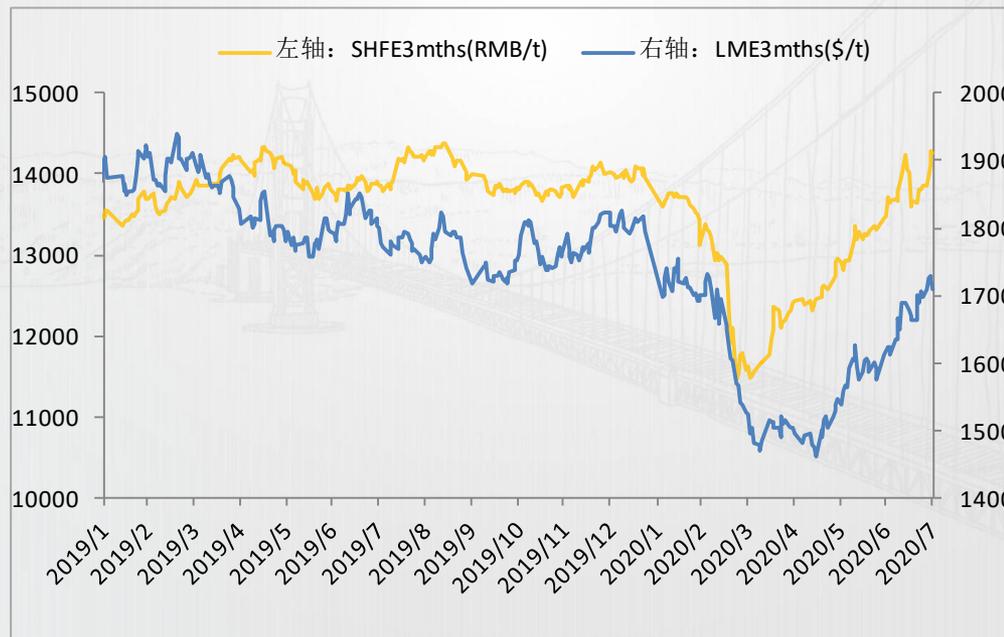


## 2020 1H Aluminum Price Trends

- Average prices of LME and 3-month aluminum futures: approximately **USD1,591** /ton and **USD1,622** /ton respectively, **-12.9%** and **-12.3%** respectively yoy
- Average prices of SHFE and 3-month aluminum futures: approximately **RMB13,191** /ton (VAT inclusive) and **RMB12,980** /ton (VAT inclusive) respectively, approximately **-4.3%** and **-5.8%** respectively yoy

In 2020 1H, average price of global market recorded a growth despite of an earlier decline, while the operating range decreased significantly; Average price of domestic market grew gradually from the bottom price and showed an obvious v-shaped trend, which was stronger than the global market in general.

### Aluminum Price Trend of LME and SHFE

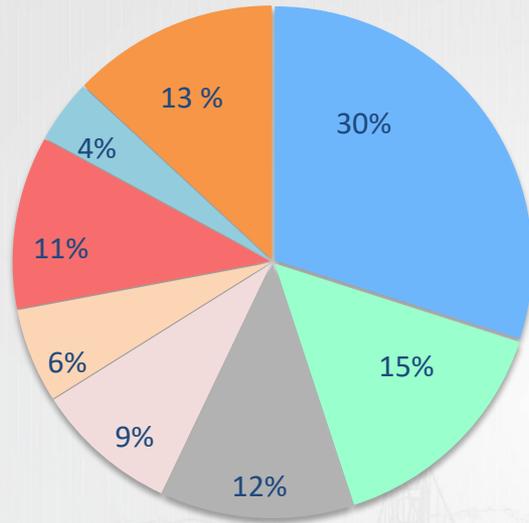


Source: Antaike



# Primary Aluminum Consumption in China

## 2019 China Primary Aluminum Market Breakdown



- Construction and Structure
- Durable Goods
- Machinery
- Others
- Electronic Power
- Packing
- Transportation
- Exportation of aluminum and aluminum alloy

Source: Antaike

Note: Included aluminum foil section consumption, in order to avoid duplicated calculation, aluminum foil blank is excluded in the consumption

- China has maintained **the world's largest aluminum producer** (accounting for approximately 56.6% of global primary aluminum production in 2020 1H) **and consumer** status (approximately 59.6% of global primary aluminum consumption in 2020 1H) for years
- From the perspective of product consumption, construction and structure, electronic power and exportation of aluminum and aluminum alloy accounted for the highest proportion of the consumption. In 2019, aluminum consumption in these three sectors accounted for 57.5% of the total consumption
- From the perspective of industry prospect, the PRC government has allocated more resources on the development of seven sectors included 5G infrastructure, UVH and intercity high-speed rail which are highly related to aluminium consumption. The implementation of these relevant investment planning projects will result in a new round of aluminum consumption





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# Business Highlights

Globalized Resources Strategy  
of “Multi-channels of Overseas  
Bauxite Resources”

Integration of Aluminum and  
Electricity, Upstream and  
Downstream Businesses

Optimized Financial  
Structure

Increase the Proportion of  
Clean Energy

Increase R&D Investment  
Promote the High-quality  
Development of the Aluminum  
Processing Industry

Actively develop lightweight materials and  
circular economy of secondary aluminum



# Vertically Integrated Business Model



- Development of bauxite mining projects in Guinea, Africa
- Further development of bauxite extended project in Guinea to explore other overseas sources of raw materials
- Diversified bauxite supply channels in Australia



- In addition to the captive power plant, we further utilize clean energy sources such as hydropower and photovoltaic power to gradually increase the proportion of clean energy consumption



- Domestic and Indonesia alumina plants with annual capacity of respectively 14mn tons and 1mn tons, total annual capacity 15mn tons
- In 2020 1H, we actively expand the alumina market which enjoyed booming production and sales volumes ; the revenue from alumina product is RMB 6.39bn accounting for approximately 16.0% of the total revenue



- In 2020 1H, the capacity of the aluminum plant was approximately 6.46mn tons/year
- The revenue from aluminum product is RMB 29.04bn in 2020 1H



- As of 2020 1H, the production capacity of aluminum alloy fabrication reached 0.99mn tons/year
- Increase product added value and enhance profit margin by increasing spending on R&D
- The revenue from aluminum fabrication product is RMB 4.13bn in 2020 1H

Upstream

Midstream

Downstream



## Stable Feedstock From Global Suppliers



### Guinea

- In 2020 1H, China Hongqiao maintained annual bauxite capacity of approximately 50mn tons in Guinea project

### Indonesia

- In 2020 1H, China Hongqiao maintained 1-million-ton production capacity in Indonesia
- Steadily promote development and completion of the phase 2 of 1-million-ton alumina project in Indonesia

### Other Countries

- China Hongqiao adopted multi-channel strategy and expanded bauxite supply from Australia, Indonesia and other regions



# Leading Production Technology

## Technology upgrade to improve efficiency

- Apply the world's most advanced 600KA electrolysis technology which is independently designed and developed by our company
  - Received the achievements from NEUI600KA aluminum electrolytic cell technological development and scientific technology of industrialization application of Weiqiao Aluminum and Power, and awarded the first prize of China Nonferrous Metal Industry Science and Technology Award in 2016
  - As the result of aforesaid project, China Hongqiao has been listed on the Ministry of Industry and Information Technology's energy efficiency "leader" list in 2016 and 2019 respectively, and was the only company of aluminium industry on the list
- Continuously improve the level of existing technologies to reduce energy consumption, including:
  - Adopt non-electric pump system to reduce electricity consumption
  - Adopt start-up through intermediate pressure cylinder technology to reduce energy consumption during commissioning and production
  - Use a single set of fully dissolution production lines with a one-million-tons annual capacity of alumina to improve equipment operating efficiency and reduce energy consumption



# Optimized Financial Structure

1 Jan 2020 – 30 June 2020



## Successfully issued overseas syndicated loan

- Completed three-year period US\$200 millions overseas syndicated credits
- Continued to develop multiple financing channels with domestic and overseas banks



## Continuously optimized financial structure

- Utilized various debt financing instruments to maintain the balance between continuity and flexibility of financing

On-going



## Continuous support from banks

- Strive to establish continuous strategic cooperation agreements with various local and international banks



- Further deepen cooperation with existing banks in the future

**Gearing ratio decreased from approximately 63.2% at the end of 2019 to approximately 61.8% as of 30 June 2020**



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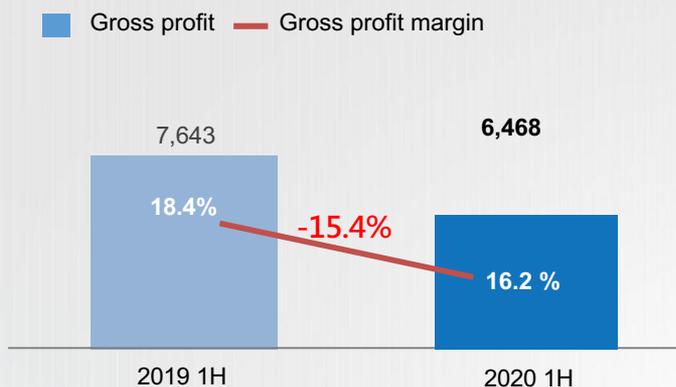


## Financial Summary

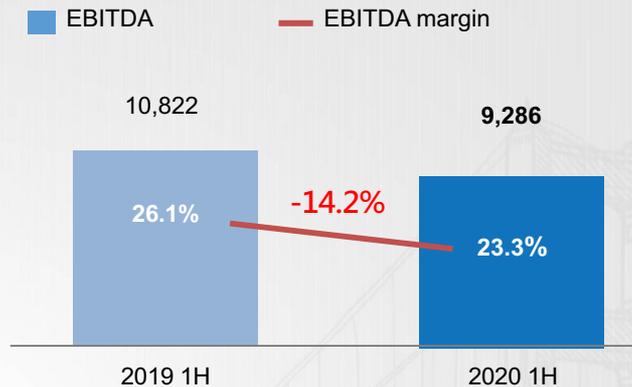
(RMB million)	2020 1H	2019 1H	Variance
Revenue	39,939	41,430	-3.6%
Gross profit	6,468	7,643	-15.4%
Gross profit margin	16.2%	18.4%	-2.2pp
Profit	2,804	2,783	+ 0.8%
Net profit attributable to owners of our company	2,832	2,477	+ 14.3%
Basic earnings per share	RMB 0.330	RMB 0.287	+ 15.0%
Interim dividend / per share	HK15.0 cents	Nil	/
Net profit margin	7.0%	6.7%	+0.3pp



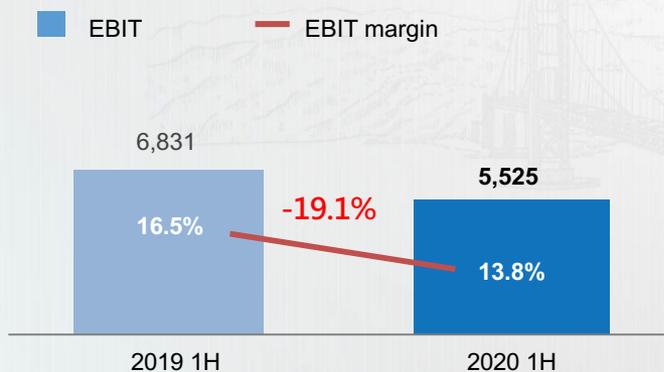
## Gross profit (RMB million)



## EBITDA (RMB million)



## EBIT (RMB million)



## Net profit attributable to our owners (RMB million)



## Liquidity and Financial Position

	30 June 2020	31 Dec 2019	Variance
Total asset (RMB mn)	173,950	179,604	- 3.1%
Total liabilities (RMB mn)	107,474	113,588	- 5.4%
Cash and cash equivalents (RMB mn)	41,079	41,857	- 1.9%
Gearing ratio*	61.8%	63.2%	- 1.4pp

\*Gearing ratio=total liabilities / total assets



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# Future Development Strategies

## Integration of Aluminum & Electricity

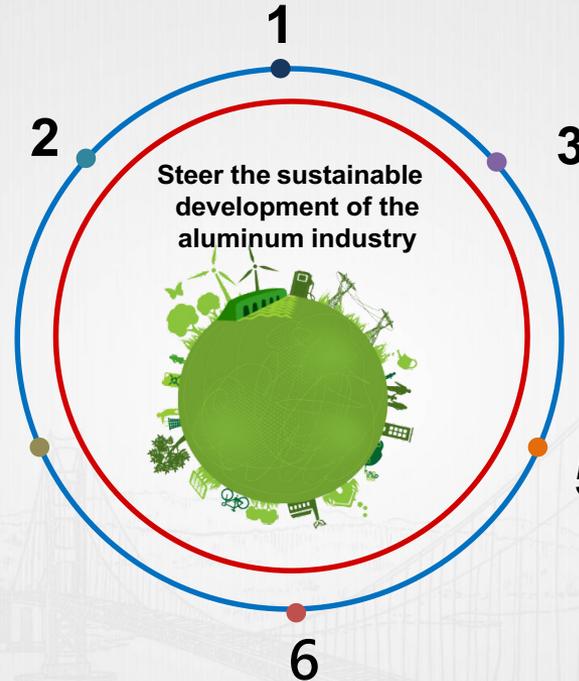
- Further strengthen the cost advantages

## Integration of Upstream & Downstream Businesses

- Further promote the Integration of Upstream & Downstream Businesses and the Development of Surrounding Aluminum Processing Industry

## Optimization in Capital and Financial Structure

- Dedicate to maximizing shareholder interest



## Globalization 4

- Secure a Stable Supply of Upstream Raw Materials through Globalization

## Improvement in Technology Upgrade and Environmental Protection R&D 5

- Strive to invest in R&D and continue to maintain zero emission

## Increase the Use of Clean Energies 6

- Diversify the Energy Structure

With the completion of industrial layout, China Hongqiao will continue to enhance the cost advantages and the economies of scale, and maintain its leading position in the global aluminum industry





**Thank You !**