



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

# China Hongqiao Group Limited

## 2020 Annual Results Announcement

March 2021





This document has been prepared by China Hongqiao Group Limited (abbreviated as “China Hongqiao” or the “Company”) for the sole purpose of corporate communication and general reference only. The presentation is not intended as an offer to sell, or to solicit an offer to buy or to form any basis of investment decision for any class of securities of the Company in any jurisdiction. This presentation is provided without any warranty or representation of any kind, either expressed or implied. The Company specifically disclaims all responsibilities in respect of any use or reliance of any information, whether financial or otherwise, contained in this presentation. This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company. These forward-looking statements represent the Company’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, such as those that include the words “potential”, “estimated”, “expects”, “anticipates”, “objective”, “intends”, “plans”, “estimates”, and similar expressions or variations on such expressions may be considered “forward-looking statements”. Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. This Document is the property of China Hongqiao Group Limited. All materials contained in this document are protected by copyright and other intellectual property laws. No one can reproduce or retransmit the materials, in whole or in part, in any manner, without the prior written consent of “China Hongqiao”.



## Industry Overview

Business Highlights

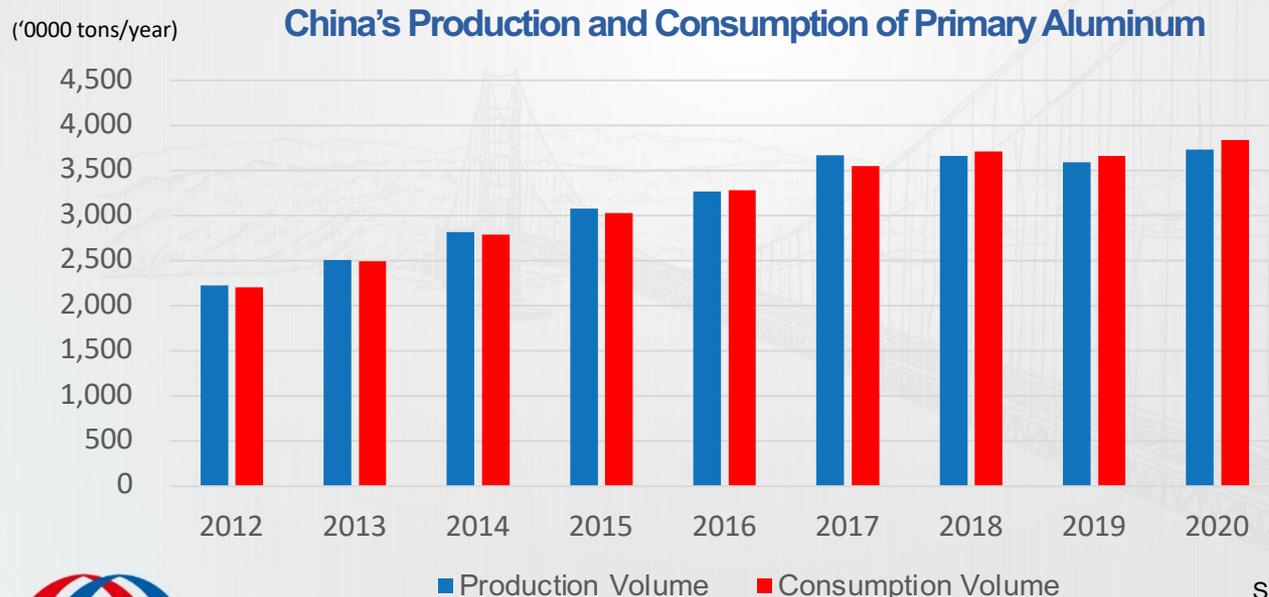
Financial Summary

Future Strategy

## 2020 Global Supply and Demand of Primary Aluminum Industry

- ❑ China's production volume of primary aluminum: **37,300,000** tons (+3.8% yoy)
- ❑ China's consumption volume of primary aluminum: **38,350,000** tons (+4.7% yoy)
- ❑ Global production volume of primary aluminum: **65,320,000** tons (+2.1% yoy)
- ❑ Global consumption volume of primary aluminum: **63,470,000** tons (-2.8% yoy)

In general, China's primary aluminum production was in short supply in 2020. Driven by China's loose monetary policy as well as the internal and external "dual circulation" including strong support from both large-scale infrastructure projects and new infrastructure projects, China's primary aluminum demand still maintained a strong growth during the outbreak of COVID-19 at the beginning of the year. The primary aluminum production growth in China had led the growth of the world's primary aluminum production, however, the overseas primary aluminum consumption had a sharp drop due to the outbreak of COVID-19. Therefore, China has led the world's economic recovery; primary aluminum has also become the best hedge against the recovery of the country and the weak US dollar.



Source: Antaike



## 2020 Aluminum Price Trends

- Average prices of LME and 3-month aluminum futures: approximately **USD1,702 /ton** and **USD1,732 /ton** respectively, **-4.9%** and **-4.5%** respectively yoy
- Average prices of SHFE and 3-month aluminum futures: approximately **RMB14,124 /ton** (VAT inclusive) and **RMB13,762 /ton** (VAT inclusive) respectively, approximately **+1.5%** and **-0.8%** respectively yoy

During the Year, domestic and foreign aluminum prices showed a trend of internal strength and external weakness. Affected by the pandemic, the supply of overseas aluminum markets remained stable but the demand decreased sharply, and the rise in surplus continued to suppress aluminum prices. Although the increase of aluminum price in China had brought up the price of overseas aluminum, the overseas aluminum price trend was still weak for most of the time.

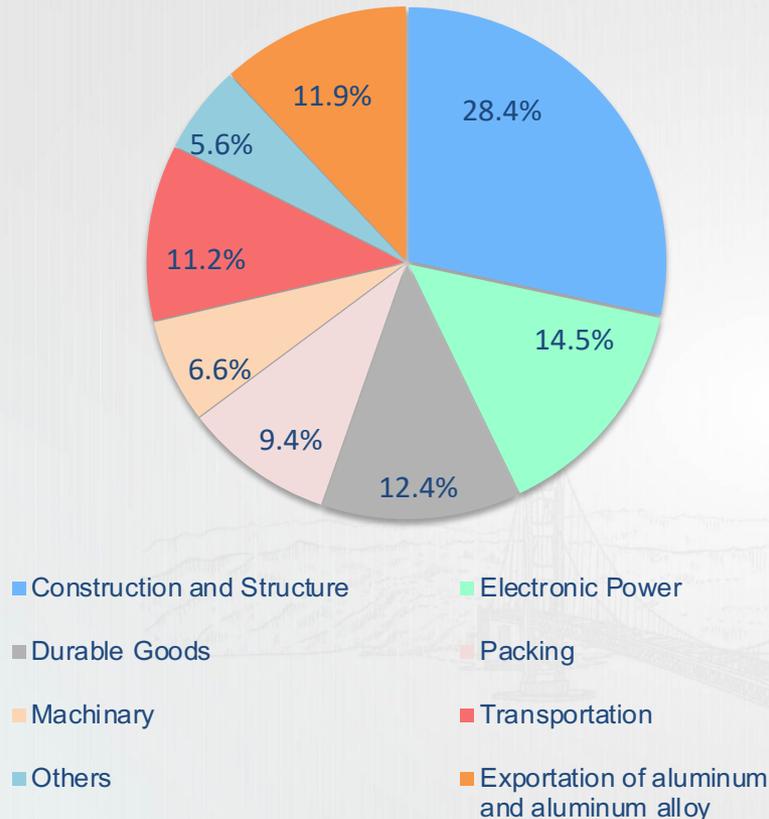
### Aluminum Price Trend of LME and SHFE



Source: Antaike

# Primary Aluminum Consumption in China

## 2020 China Primary Aluminum Market Breakdown



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 57.1% of global primary aluminum production in 2020) **and consumer** status (approximately 60.4% of global primary aluminum consumption in 2020) for years
- ❑ From the perspective of product consumption, **construction and structure, durable goods and electronic power** accounted for the highest proportion of the consumption. In 2020, aluminum consumption in these three sectors accounted for 55.3% of the total consumption
- ❑ From the perspective of industry prospect, since the PRC government had adjusted the general economic growth structure, China's aluminum consumption has also entered a shifting period, and the growth of traditional sectors might be weakened. At the same time, new consumption growth points have been formed. With the economic stimulus policy after the pandemic and the increasing consumption by new infrastructure projects, such as new energy vehicles, automotive lightweight applications, consumer goods, household appliances, etc., the demand for aluminum will be strongly increased



Industry Overview

**Business Highlights**

Financial Summary

Future Strategy



# Business Highlights

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

Integration of Aluminum and  
Electricity, Upstream and  
Downstream Businesses

Optimized Financial  
Structure

Strengthen energy conservation  
and emission reduction  
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 keep increasing the proportion of clean energy consumption



- At the end of 2020, domestic and Indonesia alumina plants with annual capacity of respectively 15mn tons and 1mn tons, total annual capacity 16mn tons
- In 2020, we actively expand the alumina market which enjoyed booming production and sales volumes ; the revenue from alumina product is RMB 13.49bn accounting for approximately 15.7% of the total revenue



- At the end of 2020, the capacity of the aluminum plant was approximately 6.46mn tons/year
- The revenue from aluminum product is RMB 63.26bn in 2020



- As of 2020, the output of aluminum alloy fabrication reached 0.622mn tons/year
- Increase product added value and further enhance profit margin by increasing spending on R&D
- The revenue from aluminum fabrication product is RMB 8.78bn in 2020

Upstream

Midstream

Downstream



## Stable Feedstock From Global Suppliers



### Guinea

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

### Indonesia

- In 2020, 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, local 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
  - China Hongqiao has been listed on the Ministry of Industry and Information Technology's energy efficiency "leader" list in 2016, 2019 and 2020 respectively, and was the only company of aluminum 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



## Green transform to build an environmental friendly aluminum production chain

- ❑ Accelerated construction of the Yunnan green aluminum innovation industrial park
  - The production capacity of Yunnan Hongtai green aluminum project is 2.03mn per year. The relocation of the first 1mn tons has been started and part of the production capacity has been put into operation in 2020
  - Achieved hydropower green aluminum production
- ❑ Developed secondary aluminum and circular economy project
  - Joined hands with Germany's Scholz China GmbH to form a joint venture company
  - Hongqiao Hong Kong and Scholz contributed an equity capital contribution of RMB 7.5mn and RMB 2.5mn to the Joint Venture Company respectively
  - Focused on R&D and production of secondary aluminum, scrapped vehicle, white goods recycling, battery recycling and recycling technology
- ❑ Built a lightweight material R&D and manufacturing site
  - Cooperated with Suzhou Aojie and Guangzhou Hede
  - Focused on the production of all-aluminum auto sheet and automotive components
  - Cooperated with Guangzhou Hede on lightweight structural parts project
  - Cooperated with Suzhou Aojie on all-aluminum body assembly project
  - The Weiqiao lightweight pilot base project is dedicated to the lightweight design of automobiles, production and research and development of components, prototype manufacturing and small-scale production



# Optimized Financial Structure

1 Jan 2020 – 31 Dec 2020



## Develop multiple financing channels with domestic and overseas markets

- Completed three-year period US\$200 millions overseas syndicated credits at earlier this year
- Completed share placement and successfully raised approximately US\$250 million with a rapid placing and three times oversubscription, strongly supported by both domestic and overseas value investors
- Continued to develop multiple financing channels with domestic and overseas banks



## Continuously optimized financial structure

- Shandong Hongqiao, a wholly-owned subsidiary of the Group, used its own funds to repurchase 50% of its issued bonds matured in January and February 2021 at the full price in advance during the year, with the total amount of funds approximately RMB2.4 billion
- Utilized various debt financing instruments to maintain the continuity and flexibility of financing
- Interest-bearing debt decreased by RMB 3.5bn from the same period last year to RMB 75.39bn

On-going



## Continuous support from banks

- Strive to establish continuous and deep cooperation 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 57.7% as of the end of 2020**





Industry Overview

Business Highlights

**Financial Summary**

Future Strategy

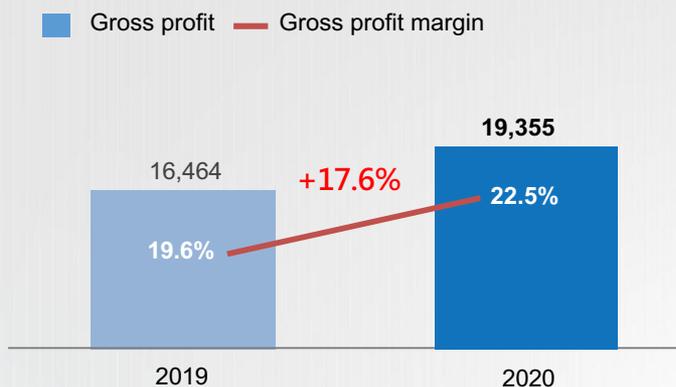


## Financial Summary

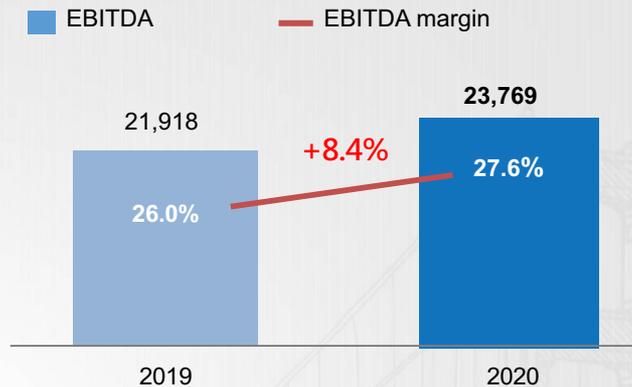
(RMB million)	2020	2019	Variance
Revenue	86,145	84,179	+ 2.3%
Gross profit	19,355	16,464	+ 17.6%
Gross profit margin	22.5%	19.6%	+ 2.9pp
Profit	10,445	6,455	+ 61.8%
Net profit attributable to owners	10,496	6,095	+ 72.2%
Basic earnings per share	RMB 1.2210	RMB 0.7087	+ 72.3%
Net profit margin	12.1%	7.7%	+ 4.4pp
Interim dividend / per share	HK15 cents	Nil	/
Final dividend / per share	HK50 cents	HK34 cents	+ 47.1%
Annual dividend / per share	HK65 cents	HK34 cents	+ 91.2%



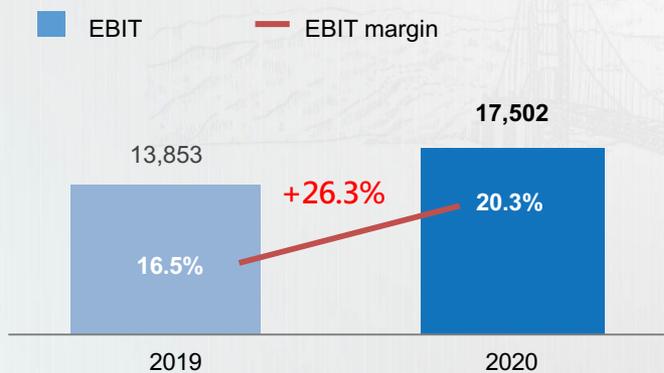
## Gross profit (RMB million)



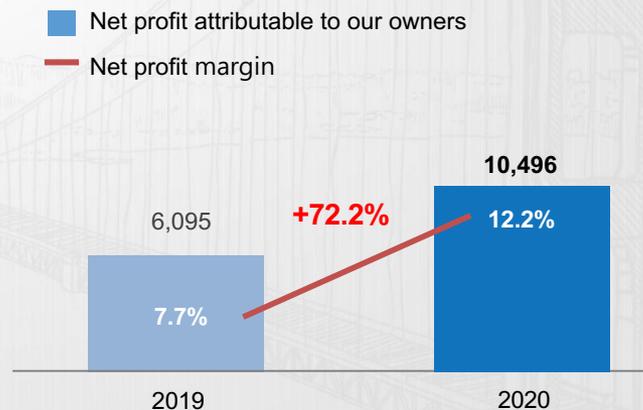
## EBITDA (RMB million)



## EBIT (RMB million)



## Net profit attributable to owners (RMB million)





## Liquidity and Financial Position

	The End of 2020	The End of 2019	Variance
Total asset (RMB mn)	181,531	179,604	+ 1.0%
Total liabilities (RMB mn)	104,729	113,588	- 7.8%
Cash and cash equivalents (RMB mn)	45,465	41,857	+ 8.6%
Gearing ratio*	57.7%	63.2%	- 5.5pp

\*Gearing ratio= total liabilities / total assets





**Industry Overview**

**Business Highlights**

**Financial Summary**

**Future Strategy**

# 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

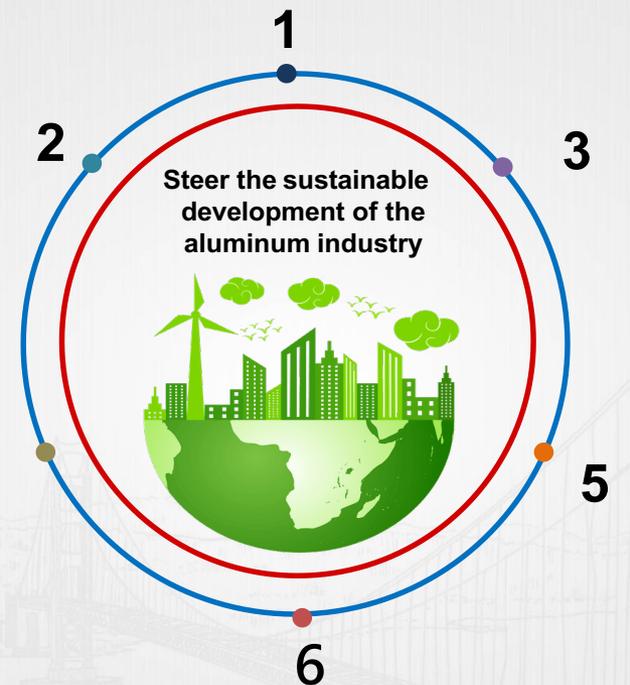
- Dedicate to maximizing shareholder interest

## 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

- 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 !**