



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

# 2023 Interim Results Announcement

August 2023



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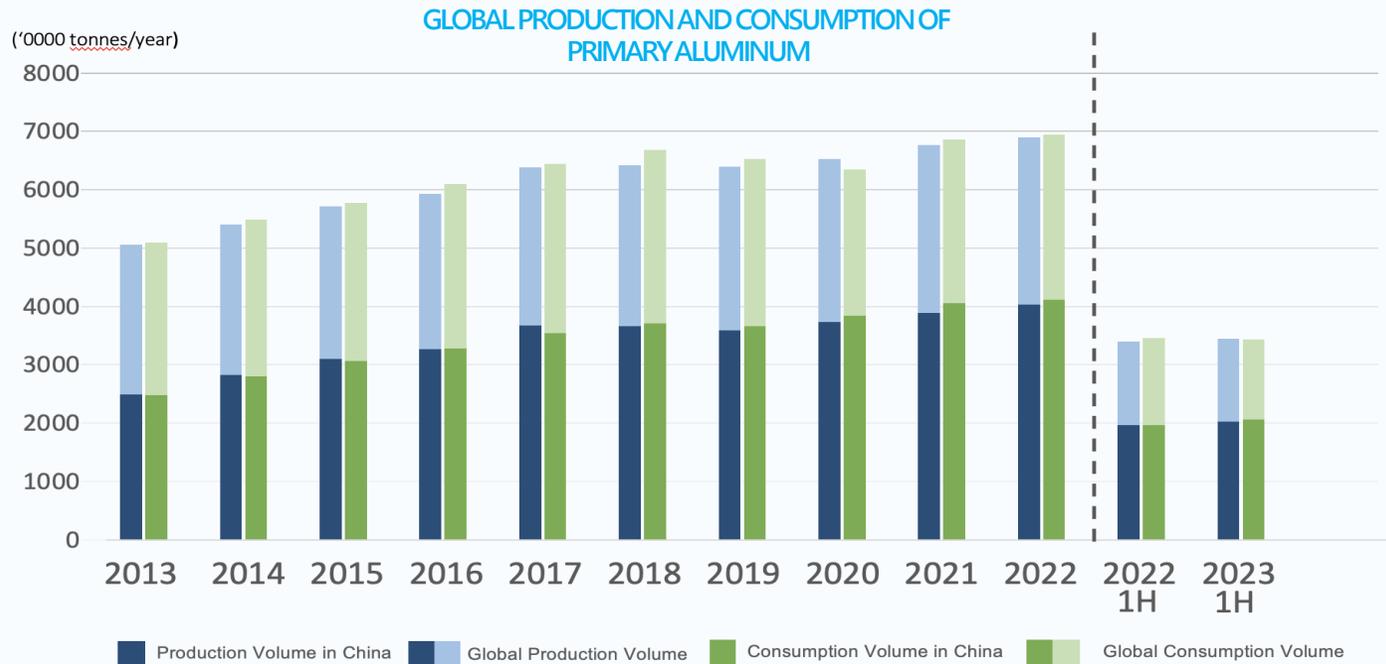
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# 2023 1H Global Supply and Demand of Primary Aluminum



**≈20,230,000 tonnes** ↑ **3.1% YOY**  
 China's production volume of primary aluminum

**≈20,560,000 tonnes** ↑ **4.3% YOY**  
 China's consumption volume of primary aluminum

**≈34,430,000 tonnes** ↑ **1.8% YOY**  
 Global production volume of primary aluminum

**≈34,360,000 tonnes** ↓ **0.5% YOY**  
 Global consumption volume of primary aluminum

Source: Antaika

In 2023 H1, China accounted for approximately 58.8% of global primary aluminum production and approximately 59.8% of global primary aluminum consumption, growing 3.1% and 4.3% respectively year-on-year.

## Demand

- China's primary aluminum consumption showed a steady growth trend, but growth momentum was not as strong as expected.
- Recovery of the global economy was weak. Traditional aluminum demand in Europe and US continued a sluggish trend starting from 2022 2H, which was a drag on the overall growth in consumption.

## Supply

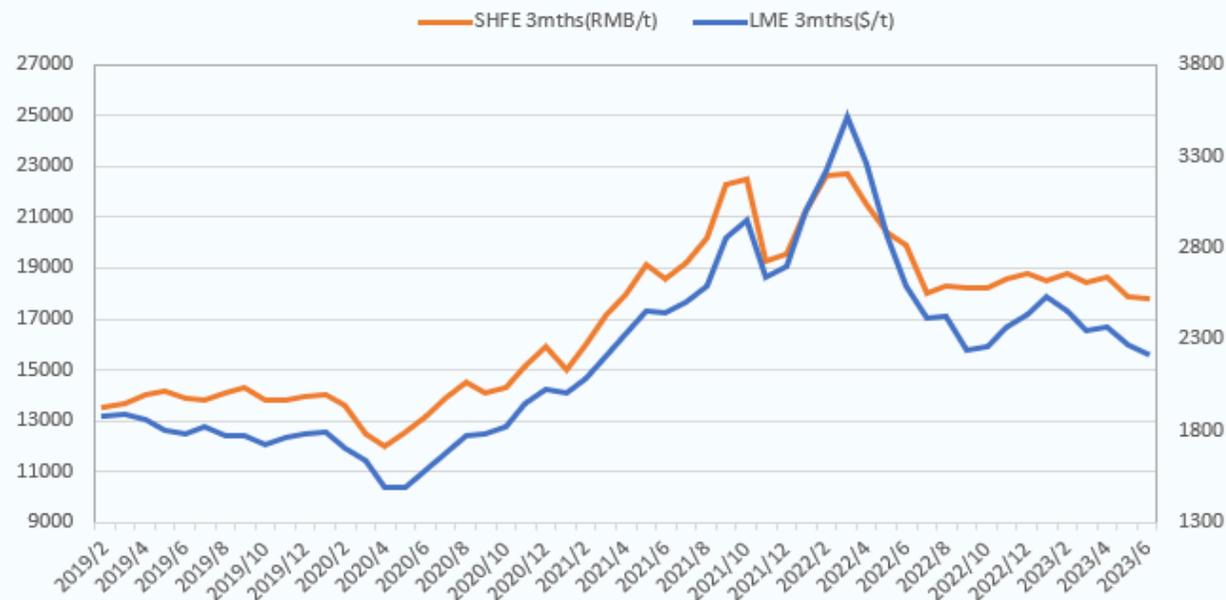
- China's primary aluminum market showed an opposite response to overseas market, with tight domestic supply whereas overseas market witnessed a surplus.
- Taking into consideration the import and export of primary aluminum, the domestic market witnessed a tight balance between demand and supply, where sufficient supply for the long-term cannot be guaranteed. On the other hand, the gap in supply in overseas market narrowed sharply, striking a general balance.



# 2023 Aluminum Price Trends for the First Half Year

## Aluminum Price Trend of LME and SHFE

<p>≈<b>2,329</b>USD/tonne</p> <p>Average prices of LME</p>	<p>↓</p>	<p><b>24.4%</b></p> <p>YOY</p>
<p>≈<b>2,363</b>USD/tonne</p> <p>Average prices of LME 3-month aluminum futures</p>	<p>↓</p>	<p><b>23.4%</b></p> <p>YOY</p>
<hr/>		
<p>≈<b>18,509</b>RMB/tonne</p> <p>Average prices of SHFE</p>	<p>↓</p>	<p><b>13.7%</b></p> <p>YOY</p>
<p>≈<b>18,333</b>RMB/tonne</p> <p>Average prices of SHFE 3-month aluminum futures</p>	<p>↓</p>	<p><b>14.3%</b></p> <p>YOY</p>

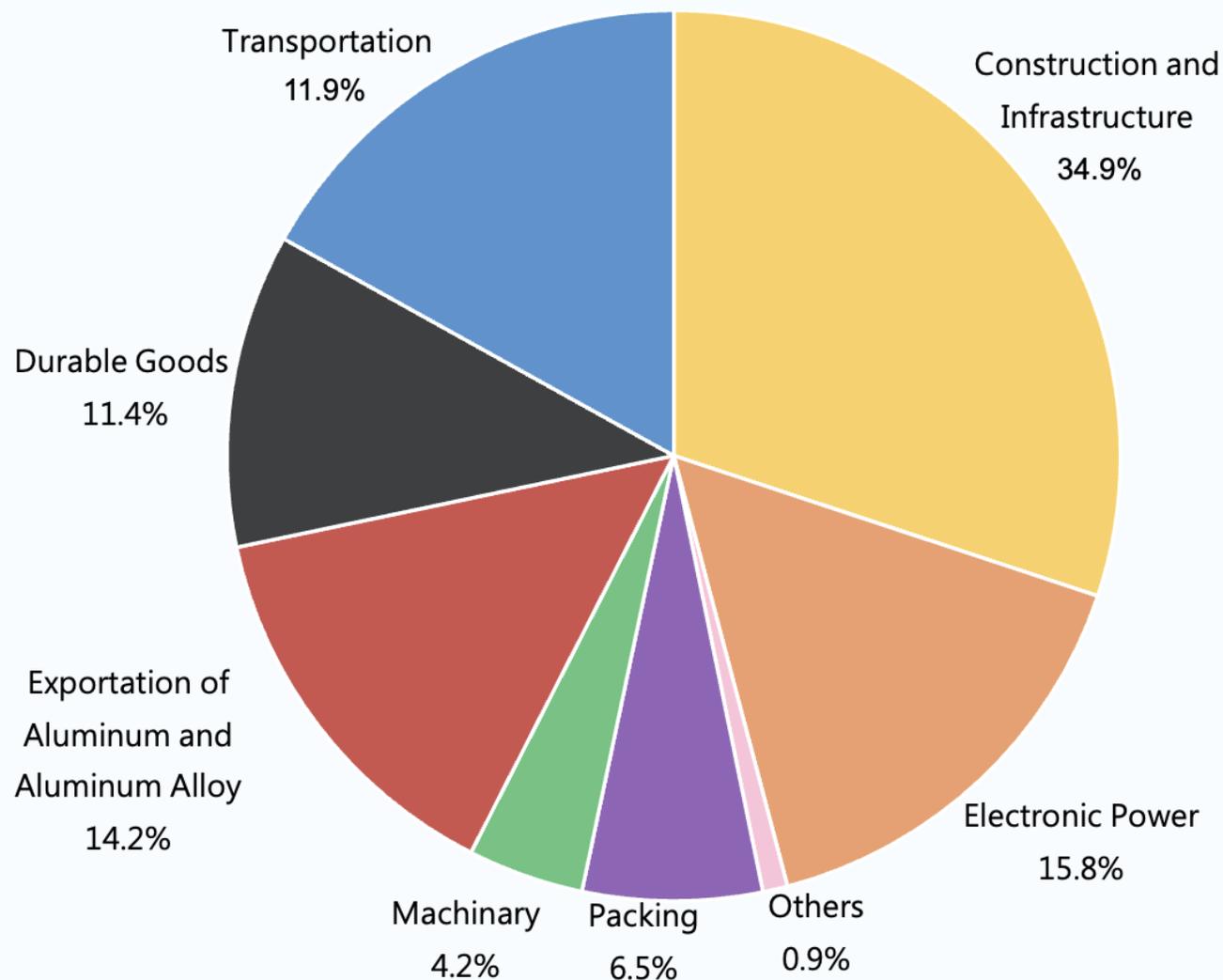


Source: Antaika

- With a lingering inflation shadow, aggressive tightening monetary policies and ongoing geopolitical conflicts, the global economy remained in the doldrums in 2023 1H. Weak demand and intensifying financial market uncertainties persisted. Although falling energy prices resulted in a sharp drop in aluminum cost in Q2, the cost was still significantly higher than that in the same period last year. Slow recovery of production came along with the weak demand, eventually led to the continuous decline of LME aluminum prices.
- Compared with the overseas market, the aluminum price was less volatile in China in 2023 1H, but the market price level declined significantly compared with the same period last year, the notable decline in cost mainly appeared in Q2. Domestic aluminum consumption tended to slow down after the release of the pent-up demand in Q1, the downturn was especially sharp in the real estate industry.



# Primary Aluminum Consumption in China



- Construction and infrastructure, electronic power, transportation and durable goods accounted for the highest proportion of the consumption. Aluminum consumption in these sectors accounted for 74% of the total consumption.
- The decline in aluminum exports continued, and foreign demand faced downward pressure.
- Despite the economic downturn and the weak recovery in consumption as well as the decrease in demand-side investment, the cooling-down phenomenon in the real estate industry was particularly prominent. However, industries such as new energy vehicles and photovoltaics still brought incremental consumption growth, which to some extent compensated for the reduction in other industries. Meanwhile, continuous introduction of relevant favorable policies and incentive measures has provided great and strong support for the further release of consumption potential from new energy vehicles.

## 2022 China Primary Aluminum Market Breakdown

Source: Antaike · Latest available data as of 2023 H1



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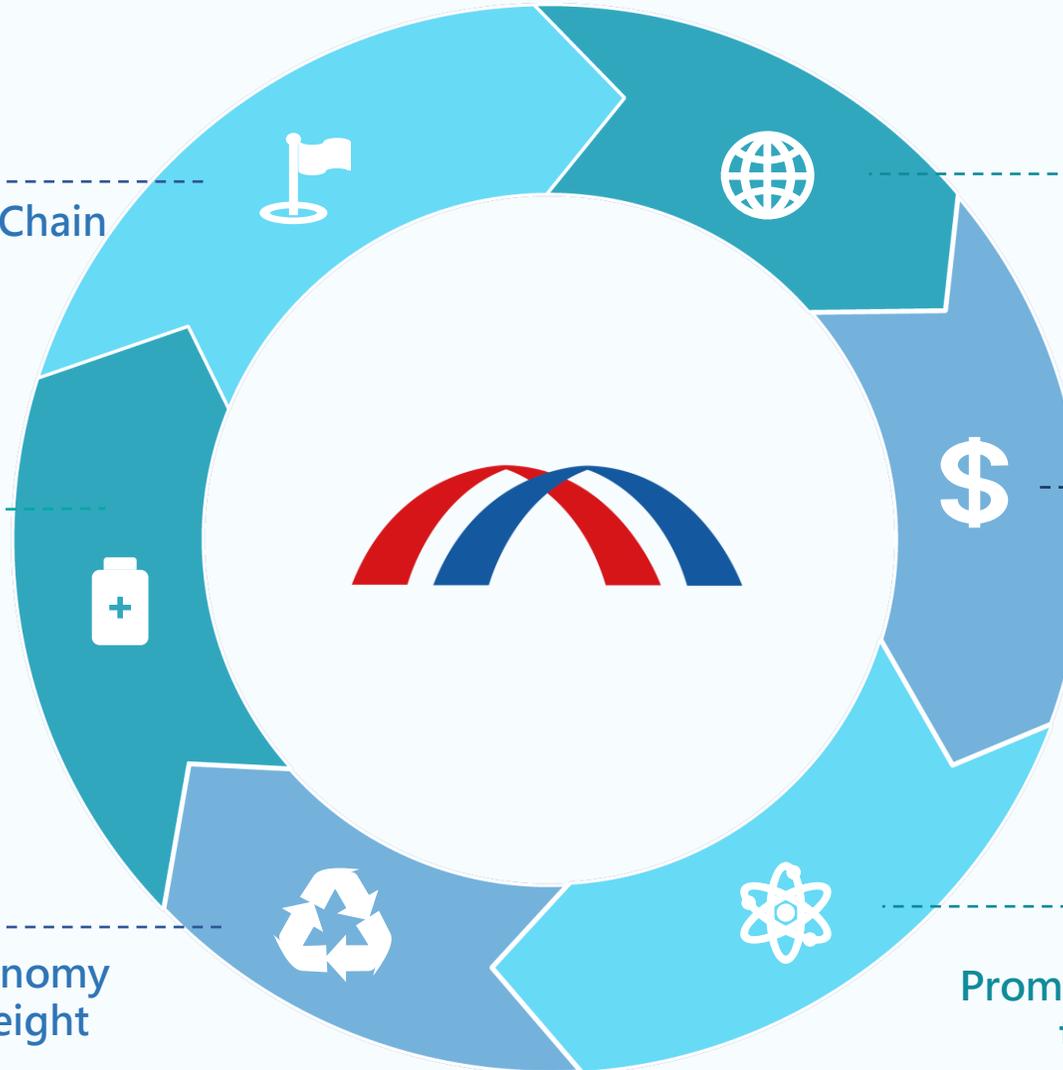
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# Business Highlights – Overall Strategy

New Pattern of Upstream and Downstream Integration, Development of Green Ecological Chain

Optimize the Energy Structure, Strengthen Energy Conservation and Emission Reduction, Increase the Proportion of Clean Energy

Actively Develop Recycling Aluminum to Create Circular Economy  
Deep Involvement in the Lightweight Industry



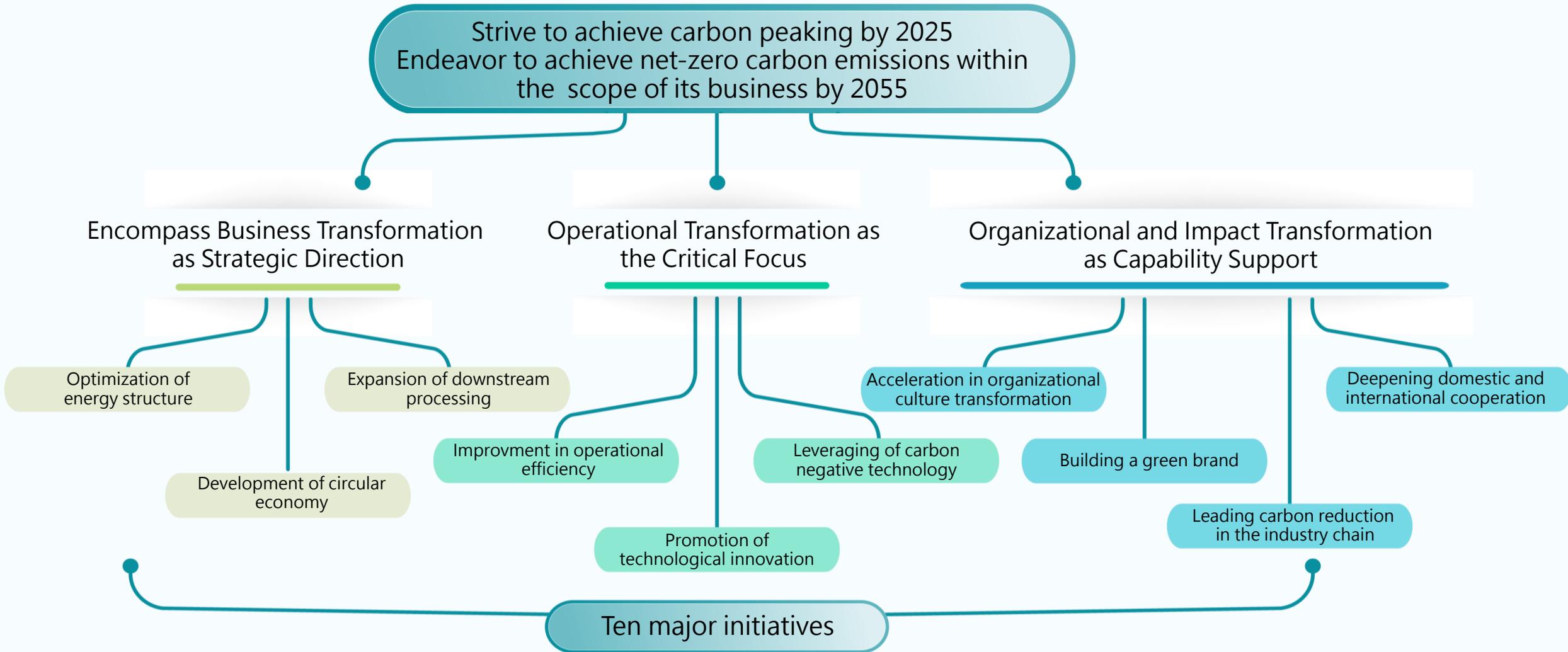
Actively Participate in Co-Construction of Global Industrial Chain and Value Chain, Implement Globalized Resources Strategy

Stabilize Capital Operation Strategy, Constantly Optimize Financial Structure

Increase R&D Investment Empower with Digitalization, Promote High-quality Development of the Aluminum Processing Industry



# Business Highlights – Green Commitment · Carbon Peaking and Neutrality Goals



Actively assume responsibility of leading carbon reduction in the industry value chain, continuously strengthen suppliers low-carbon management, and provide lower-carbon products and services for clients.



# Vertically Integrated Business Model

## Upstream



### Bauxite

- Develop and improve bauxite mining projects in Guinea, Africa; build a complete supply chain ranging from Guinea mines to domestic factories and integrate multimodal transportation, and open up the "Maritime Silk Road" of the aluminum industry
- Diversified bauxite supply channels in Australia



### Power

- Constantly deploy and optimize the "wind-solar-hydro-power-storage" integrated energy structure
- In addition to captive power plants, further utilize clean energy sources such as hydropower and photovoltaic power to keep increasing the proportion of production capacity from clean energy



### Alumina

- In 2023 1H, annual capacity of domestic and Indonesia alumina plants were respectively 17.5mn tonnes and 2.0mn tonnes, annual capacity 19.5mn tonnes in total
- Market activities expanded with strong production and sales volume; the revenue from alumina product was RMB 13.532bn, accounting for approximately 20.6% of the total revenue

## Midstream



### Aluminum

- During 2023 1H, the capacity of the primary aluminum plant was 6.46mn tonnes/year
- The revenue from primary aluminum product is RMB 45.979bn in 2023 1H

## Downstream



### Aluminum Fabrication

- During 2023 1H, the output of aluminum alloy fabrication products was approximately 377,000 tonnes
- Increase in spending on R&D, emphasized in digital empowerment, increase in value-added products to increase the profit margin
- The revenue from aluminum fabrication products was approximately RMB 5.645bn in 2023 1H



# Stable Feedstock From Global Suppliers



## Guinea

- Maintained annual bauxite production capacity of approximately 50mn tonnes
- The multimodal transportation industry chain from mining areas to domestic factories is increasingly stable in Guinea

## Indonesia

- The Well Harvest Winning alumina project in Indonesia with an annual alumina capacity of 2mn tonnes is in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously
- The Well Harvest Winning alumina project in Indonesia has achieved a balance between production and sales, and the technical transformation project is also advancing steadily

Australia

## Other Countries

- Adopted multi-channel strategy and expanded bauxite supply in Australia and Indonesia



# Leading Production Technology

Sci-tech Innovation · Digital Empowerment · Energy Saving · Ecology Priority



## Apply the world's most advanced electrolysis technology, stress digital empowerment

- ❑ Sci-tech achievements of "Development and Application of Aluminum Electrolysis Integrated Copper-carbon Composite Cathode (RuC) Technology", jointly developed with partners, reached the international leading level, generating remarkable economic and social benefits
- ❑ Shandong Hongqiao was not only awarded as a benchmark enterprise in intelligent manufacturing in Shandong Province, but also entered the "2023 Industrial Internet Top 500" list
- ❑ Yunnan Hongtai was awarded the Yunnan May Day Labor Certificate, as it boosted comprehensive green development of upstream and downstream enterprises, as well as actively promoted the construction of the entire "hydropower-aluminum materials integrated" industrial chain in the Park

## Continuously improve the level of existing technologies to reduce energy consumption

- ❑ Adopt non-electric pump system to reduce electricity consumption in alumina production
- ❑ Adopt start-up through intermediate pressure cylinder technology to reduce energy consumption during commissioning and production
- ❑ Use a fully intergraded production line with a one-million-tonne annual capacity of alumina to improve equipment operating efficiency and reduce energy consumption
- ❑ As one of the first-batch companies participating in the evaluation of green-power aluminum, China Hongqiao received the green-power aluminum product evaluation certificate among the first batch at the 2023 China Aluminum Processing Industry Annual Conference
- ❑ Hongfa Aluminum was awarded as a national-level green factory
- ❑ Weiqiao Lightweight Materials Co., Ltd passed the national high-tech enterprise accreditation and succeeded in getting into the national high-tech enterprise club

*\*Shandong Hongqiao, Hongfa Aluminum, Yunnan Hongtai and Weiqiao Lightweight Materials Co., Ltd. are subsidiaries of the Company*



# Green Production

Actively lead the industry, further drive and deepen energy structure transformation

01



## Relocation and construction of hydropower aluminum base accelerates

- Yunnan Hongtai 2.03-million-tonne green electrolytic aluminum project completed and went into operation at the end of 2022.
- Yunnan Honghe's 1.93-million-tonne low-carbon aluminum project, which will commence production soon, has become the most important starting point for the Green and Low-carbon Demonstration Industrial Park in Luxi County, Honghe Prefecture, to promote the extension, supplementation and enhancement of supply chains in key industrial sectors and build an advantageous industrial cluster.
- Yunnan Wenshan Green Aluminum Innovation Industrial Park is equipped with world's leading equipment, technical process and automation control. It has extensively applied mechanical automation and intelligence, resulting in higher labor productivity per capita.

02



## Commit to circular economy and recycled aluminum

- Co-build Sino-German Hongshun Recycling Industrial Park with Germany's Scholz China GmbH, with an aim to create a world-class recycling industrial park that focuses on recycled aluminum recycling, end-of-life vehicle dismantling and battery recycling.
- The company has been capable of sustaining grades of recycled aluminum and recycling aluminum products more than once by technical means, moving closer towards its carbon reduction goals.
- Accelerate the development of circular economy, and strive to create a benchmark for green aluminum electrolysis technology and low-carbon aluminum production.

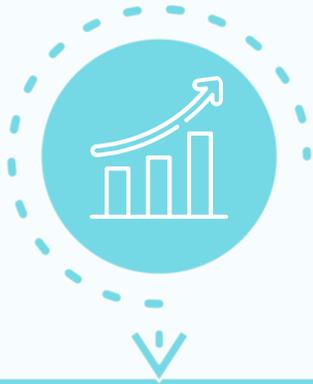
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## Fully involved in development of lightweight industries

- Focused on the production of all-aluminum auto sheet and automotive components.
- Steady improvement and continuous perfection is seen in Weiqiao lightweight aluminum base.
- "Aluminum-Based Transportation Lightweighting" technology demonstration project-major sci-tech innovation project in Shandong Province kicked off.

# Optimized Financial Structure



## Expand diversified financing channels at home and abroad

- In the reporting period, Shandong Hongqiao has issued bonds and notes for 6 times which worth RMB4.9 billion in total, including short-term bonds, medium-term notes and green medium-term notes, at an interest rate of 4.18%-5.00%, which were actively subscribed by investors at home and abroad.
- In March 2023, Shandong Hongqiao was granted new quota for DFI shelf offering in interbank market.
- At present, Shandong Hongqiao is one of the few private enterprises that has obtained quota of U.S. dollar bond issuance from NDRC
- Continuously expand and maintain diversified financing channels with domestic and foreign banks



- Interest-bearing debt increased by appr. RMB 2.8bn from the same period last year to appr. RMB 64.3bn
- Continuously optimize cash flow through rational capital management plans in line with business development
- Continuously use different debt financing instruments to maintain a balance between sustainability and flexibility

## Continuously optimized financial structure



- Strive for continuous and deep cooperation with various local and international banks
- Further deepen existing partnerships with banks

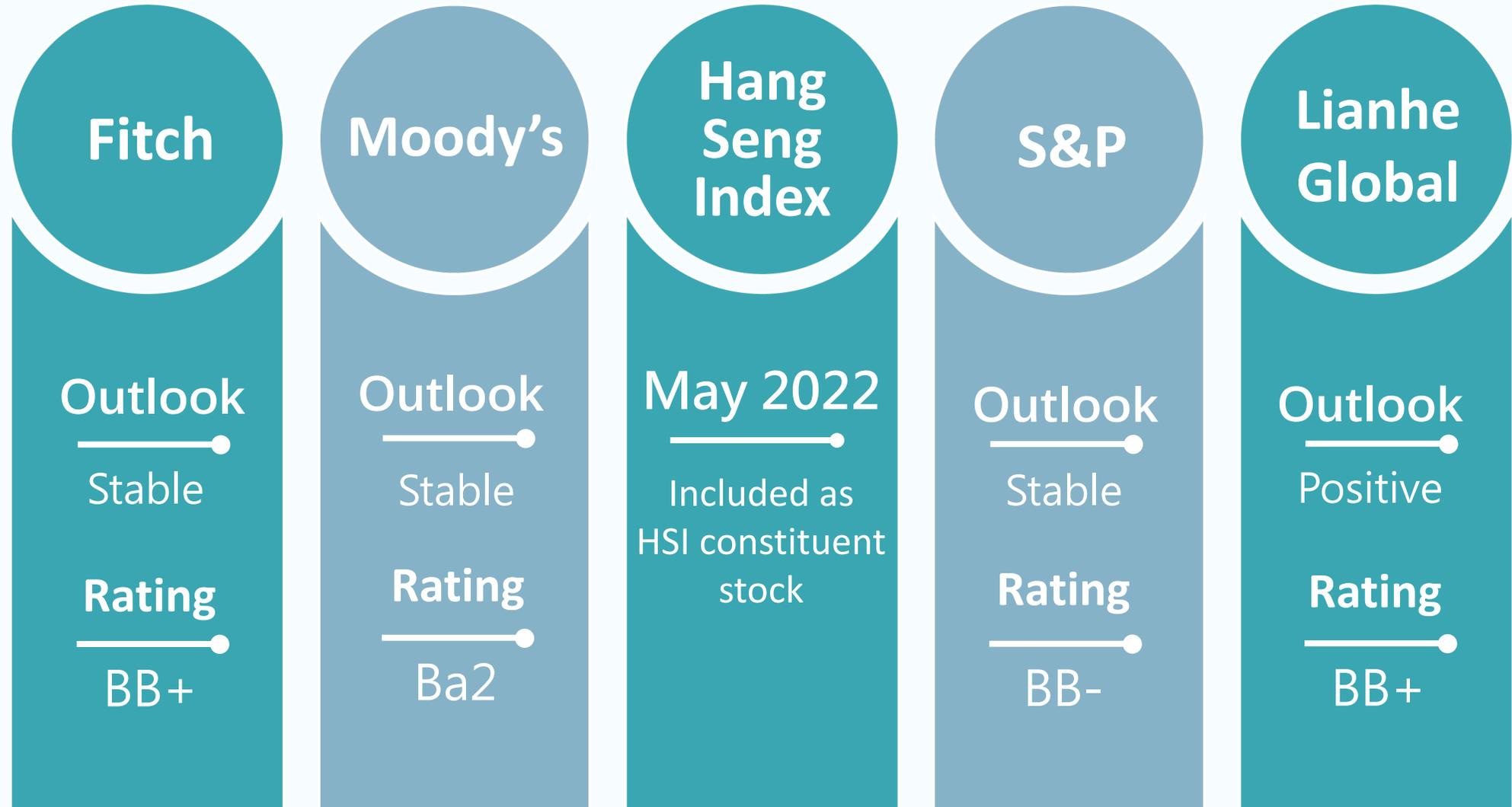


## Continuous support from banks

Gearing ratio decreased from approximately 48.2% at the end of 2022 to approximately 47.9% as of 30 Jun 2023



# Recognition from International Institutions and Rating Agencies



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# Financial Summary

(RMB million)	2022 1H	2023 1H	Variance
Revenue	68,739	65,734	- 4.4%
Gross profit	14,955	5,892	- 60.6%
Gross profit margin	21.8%	9.0%	- 12.8 pp
Net profit attributable to shareholders	7,846	2,456	- 68.7%
Basic earnings per share	RMB 0.850	RMB 0.259	- 69.5%
Net profit margin	12.6%	4.5%	- 8.1 pp
Interim / Special dividend	HK 41 Cents / NIL	HK 12 Cents / HK 22 Cents *	—

\* The Board declares an interim dividend for 2023 of HK12.0 cents per share and a special dividend of HK22.0 cents per share



# Profitability

## Gross profit (RMB million)

■ Gross profit    ■ Gross profit margin



2022 1H

2033 1H

## EBITDA (RMB million)

■ EBITDA    ■ EBITDA margin



2022 1H

2033 1H

## EBIT (RMB million)

■ EBIT    ■ EBIT margin



2022 1H

2033 1H

## Net profit attributable to shareholders (RMB million)

■ Net profit attributable to owners    ■ Net profit margin to owners



2022 1H

2033 1H



# /// Liquidity and Financial Position ///



**Total asset** (RMB mn)

185,742

189,358

↑ 1.9%  
YOY

31 Dec 2022

30 Jun 2023



**Total liabilities** (RMB mn)

89,436

90,745

↑ 1.5%  
YOY

31 Dec 2022

30 Jun 2023



**Cash and cash equivalents** (RMB mn)

27,385

29,777

↑ 8.7%  
YOY

31 Dec 2022

30 Jun 2023



**Gearing ratio** (RMB mn)

48.2%

47.9%

↓ 0.3pp  
YOY

31 Dec 2022

30 Jun 2023

\*Gearing ratio = total liabilities / total assets



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# Future Development Strategies

## Upstream-downstream Integration

- Further promote the integration of upstream and downstream sectors and green transformation, and boost high-quality development of aluminium industry

## Integration of Aluminum & Electricity, More Renewable Energy Use

- Further strengthen cost advantages, and diversify energy structure

## Globalization

- Secure raw material supply through globalization

## Optimization in Capital and Financial Structure

- Strive for stable and long-term development to maximize shareholders' benefits

## CSR Fulfillment

- Take part in public welfare and charity undertakings to benefit society

## Further Investment in Tech Upgrading and Green R&D

- Ramp up R&D investment to fulfill the Group's green commitment and achieve "dual carbon" goals



Further enhance cost advantages and economies of scale, accelerate industrial layout, maintain leading position in global aluminum industry and grow into a long-standing manufacturing leader





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**Thank you!**