



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

# 2023 Annual Results Announcement

March 2024



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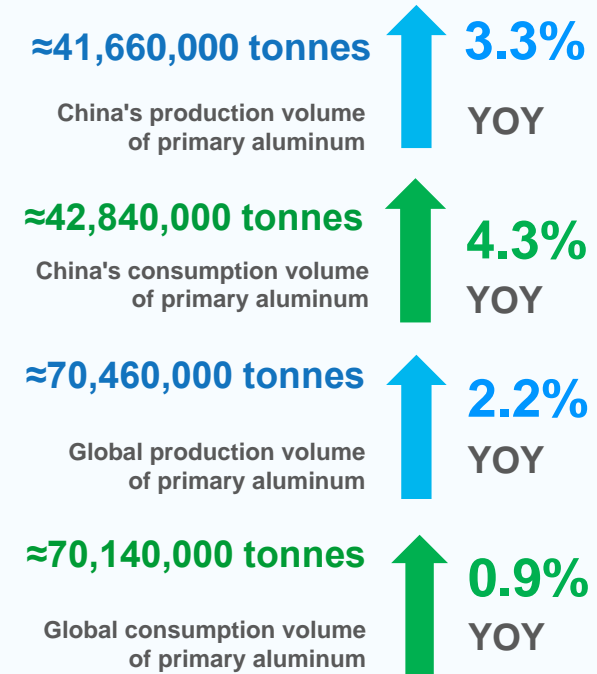
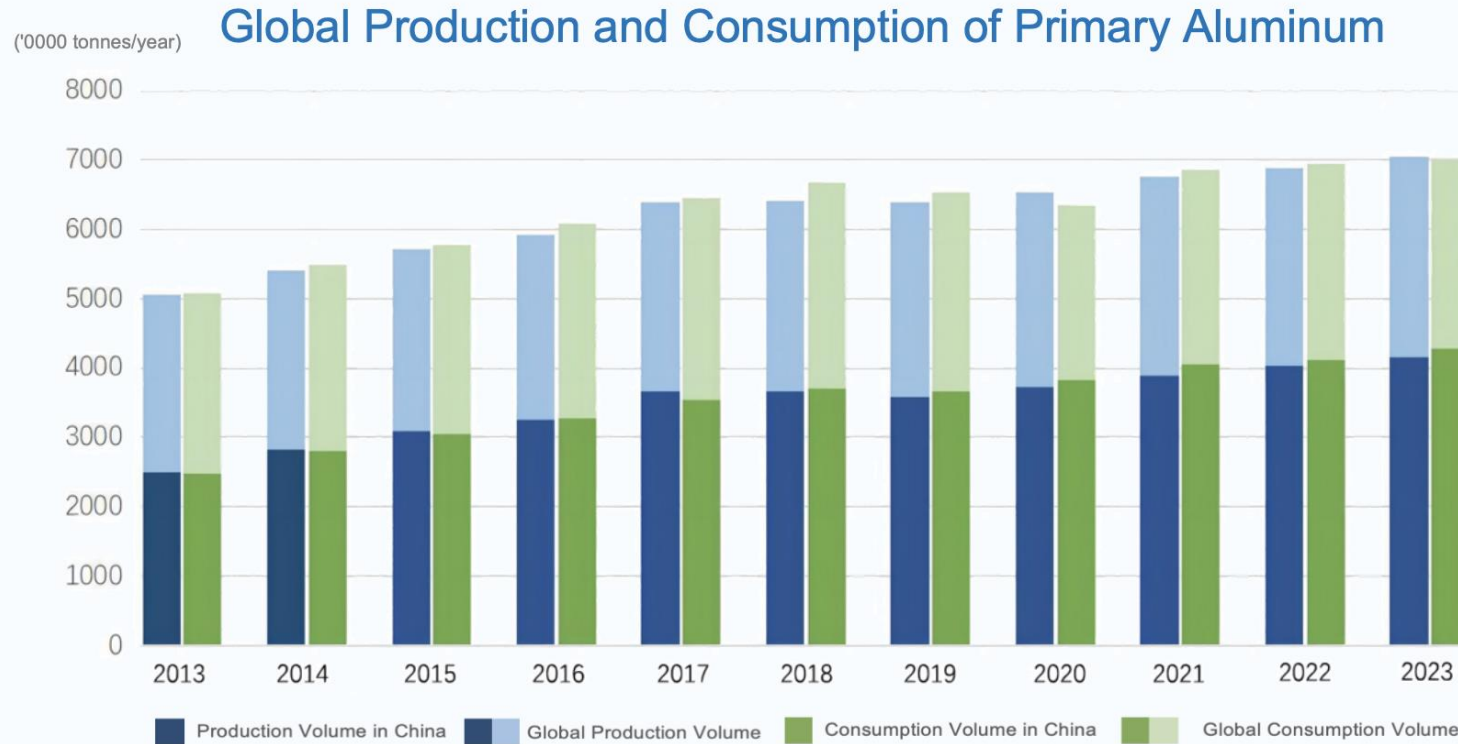
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# 2023 Global Supply and Demand of Primary Aluminum



Source: Antaika

## Demand

- In the domestic market, the successive rolling-out of favorable policies in the fields of real estate and new energy automobiles provided stronger policy support for the downstream consumption, resulting in an overall upward trend of aluminum consumption throughout the year.
- The recovery of the global economy was weak; global primary aluminum consumption outside China witnessed a sluggish trend generally, with a slight decrease compared with the previous year.

## Supply

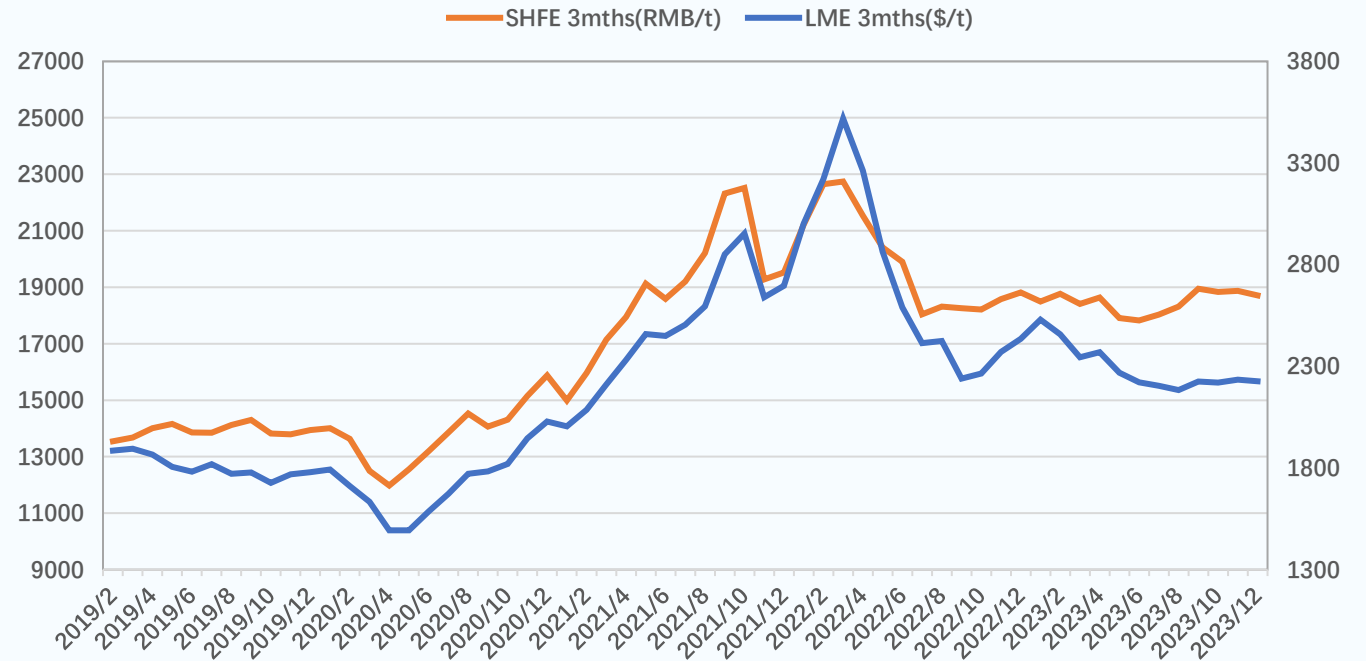
- Despite a substantial decrease in the export volume of primary aluminum, domestic demand recovered beyond expectations, and the overall domestic market showed a near balance between supply and demand.
- The overseas market exhibited weakness in both supply and demand, with consumption remaining sluggish. The global market witnessed a supply surplus.



# 2023 Aluminum Price Trends

## Aluminum Price Trend of LME and SHFE

≈2,250 USD/tonne	↓	16.8%
Average prices of LME		YOY
≈2,288 USD/tonne	↓	15.7%
Average prices of LME 3-month aluminum futures		YOY
-----		
≈18,698 RMB/tonne	↓	6.3%
Average prices of SHFE		YOY
≈18,473 RMB/tonne	↓	6.9%
Average prices of SHFE 3-month aluminum futures		YOY



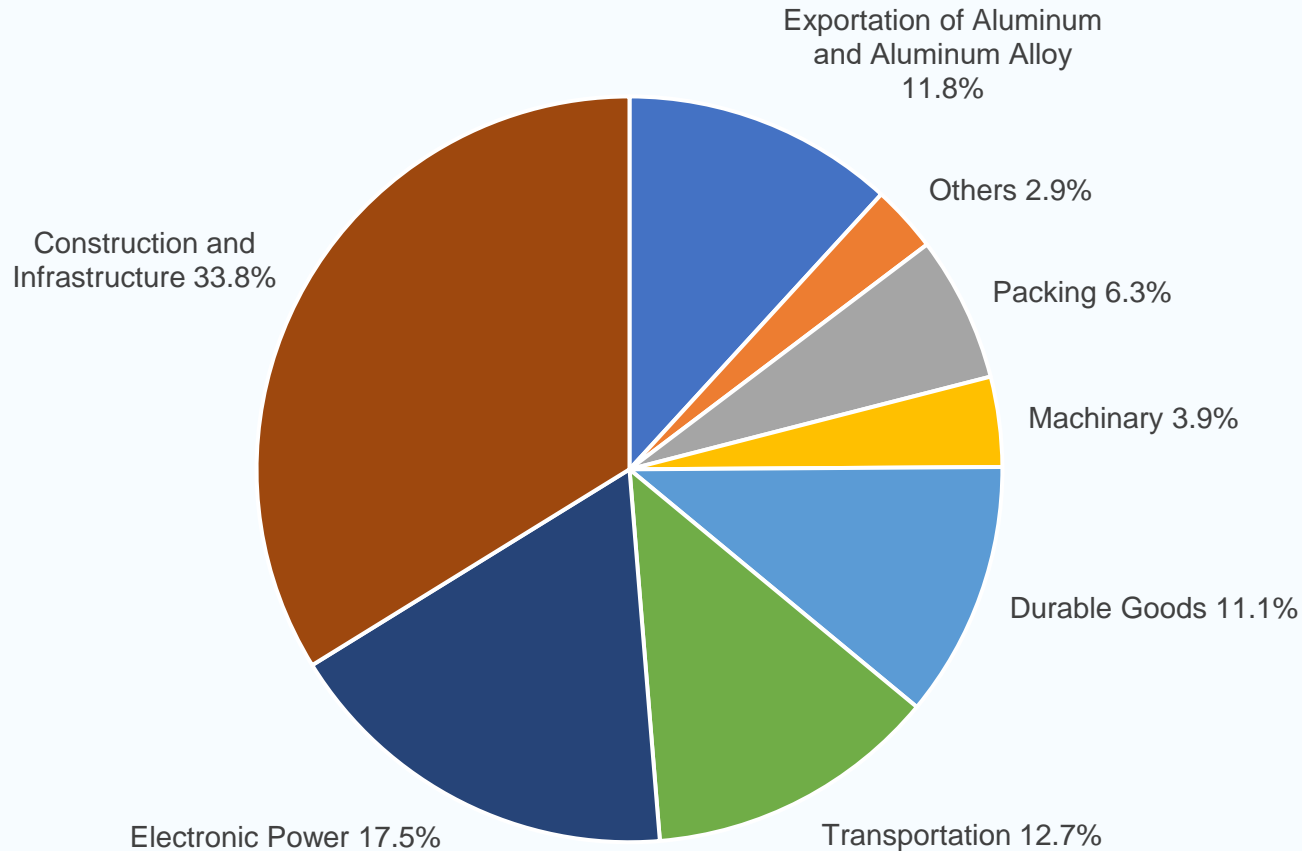
Source: Antaike

- In 2023, the European energy crisis eased, coupled with the greater impact of US Fed interest rate changes on global financial markets. In the complicated macroeconomic context, the LME aluminum prices fluctuated and generally showed a downward trend.
- The overall trend of aluminum prices in the domestic market was relatively stable, but the global market price level declined significantly year-on-year. The aluminum price was more volatile in China in 2023 Q1. Due to the pessimistic sentiment of the weak recovery of both Chinese and overseas economies, domestic aluminum consumption was on a downturn trend in 2023 Q2. In 2023 Q3, thanks to the favorable policies, aluminum prices in China began to rise. After entering the fourth quarter, the weakening macro sentiment caused aluminum prices to decline again.



# Primary Aluminum Consumption in China

## 2023 China Primary Aluminum Market Breakdown



Source: Antaika

- In 2023, China accounted for approximately **59.1%** of global primary aluminum production, and accounted for approximately **61.1%** of global primary aluminum consumption. Both figures **increased slightly** year-on-year.
- According to the 2023 China primary aluminum market breakdown, **construction and infrastructure, electronic power, transportation combined with exportation of aluminum and aluminum alloy** accounted for three quarters of total consumption.
- The fundamentals of the primary aluminum market presented a growth in both demand and supply in 2023. Notably, the output and import of primary aluminum maintained a fast growth, seeing a significant increase in supply. Despite a substantial decrease in the export of primary aluminum, domestic demand recovered beyond expectations, and the demand side achieved a relatively big increase, resulting in an overall balance between supply and demand.



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# Business Highlights – Overall Strategy

New Pattern of Upstream and Downstream Integration,  
Develop Green Ecosystem Chain,  
Continuously Expand Aluminium Application

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

Actively Develop Aluminum Recycling  
to Create Circular Economy,  
Deep Engagement 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 in Digital Empowerment,  
Promote High-quality Development of  
the Aluminum Processing Industry





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

Strive to achieve carbon peaking by 2025  
Endeavor to achieve net-zero carbon emissions within  
the scope of its business by 2055 (Scope 1+2)

## Encompass Business Transformation as Strategic Direction

Optimization of energy structure

Expansion of downstream processing

Development of circular economy

## Operational Transformation as the Critical Focus

Improvement in operational efficiency

Leveraging of carbon negative technology

Promotion of technological innovation

## Organizational and Impact Transformation as Capability Support

Acceleration in organizational culture transformation

Deepening domestic and international cooperation

Building a green brand

Leading carbon reduction in the industry chain

● ● ● Ten major initiatives ● ● ●

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



# Vertically Integrated Business Model

## Upstream



### Bauxite

- Through our SMB joint venture 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 Indonesia and 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
- Effectively promote the accelerated and in-depth integration of the aluminum industry with clean energies



### Alumina

- In 2023, annual capacity of domestic and Indonesia alumina plants were 17.5Mt and 2.0Mt respectively, annual capacity 19.5Mt in total
- Market activities expanded with strong production and sales volume; the revenue from alumina product was RMB26.56 billion, accounting for approximately 19.9% of the total revenue

## Midstream



### Aluminum

- During 2023, the capacity of the primary aluminum plant was 6.46 Mt
- The revenue from primary aluminum product was RMB94.64 billion in 2023 , accounted for 70.8% of the Group's revenue , sales volume increased compared with last year
- Gross profit of the aluminum alloy products reached 17.4%, increasing 3.9 pp over last year's result

## Downstream



### Aluminum Fabrication

- During 2023, the output of aluminum alloy fabrication products was approximately 770,000 tonnes
- Continuously increasing 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 RMB11.5 billion in 2023



## Stable Feedstock From Global Suppliers



### Guinea

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

### Indonesia

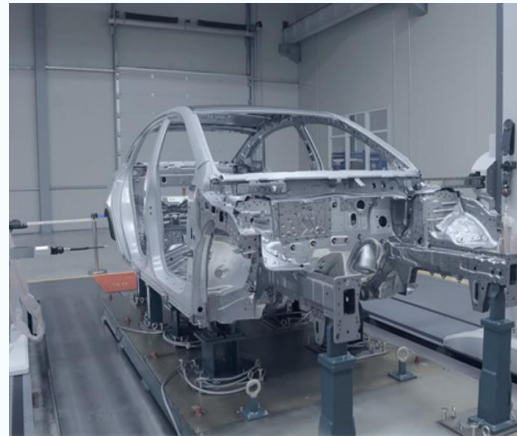
- The Well Harvest Winning alumina project in Indonesia with an annual alumina capacity of 2mn tonnes is in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously
- The Well Harvest Winning alumina project in Indonesia has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

### 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

- Make the world-class breakthroughs in casting to replace forging, launch 6 revolutionary new materials for cast aluminum alloy in three alloy ranges, realize the simultaneous improvement of high strength, high toughness and high serviceability of aluminum alloy materials, contribute a transformative strength with great influence for the whole industry.
- Zouping Hongfa Aluminum Technology Co., Ltd. was ranked on the “Shandong Provincial Quality Benchmark Enterprises” list for 2023
- Yunnan Hongtai New Material Co., Ltd was ranked on the “Yunnan Provincial Green Aluminum Industry Leading Enterprises” list

## 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 integrated production line with a 1Mt annual capacity of alumina to improve equipment operating efficiency and reduce energy consumption.
- China Hongqiao received the green-power aluminum product evaluation certificate at the 2023 China Aluminum Processing Industry Annual Conference.
- At present, the Group has two state-level green factories and two provincial-level green factories.
- Wei qiao Lightweight Materials Co., Ltd passed the national high-tech enterprise accreditation and succeeded in getting into the national high-tech enterprise club.
- The project of the “packaged technologies and equipment of high-quality recycled aluminum alloy manufacturing” of Shandong Hongqiao Scholz Circular Economy Science & Technology Co., Ltd. was awarded one of the Top 10 Green and Low-Carbon Technology Innovation Practice Achievements in Renewable Resources Industry in 2023.

\* Hongfa Aluminum, Yunnan Hongtai, Wei qiao Lightweight Materials Co., Ltd. and Shandong Hongqiao Scholz Circular Economy Science & Technology 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 hydro power aluminum base accelerates

- Yunnan Hongtai 2.03 Mt green electrolytic aluminum project was completed and has started its operation, while the formation of project-centered industrial cluster accelerated. Also, the Yunnan Honghe 1.93 Mt low carbon aluminum project has commenced construction.
- The proportion of hydropower resources increases as the production capacity transfers to Yunnan; the Group accelerated the construction of clean energy projects such as photovoltaic power generation; the ratio of green energy used is increasing.
- The Group adheres to following science and technology innovation and leveraging digital intelligence, which accelerate the integration of the aluminum industry with clean energy sources so as to focus on carbon emission reduction and green development.

02



### Commit to circular economy and recycled aluminum

- The Group's two green low-carbon aluminum brands HQALight and HQALoop have completed registration in China and Germany, respectively. HQALight is the low-carbon primary aluminum produced from hydropower and other renewable energies and the world-leading 600kA aluminum electrolysis cell and RuC technology; HQALoop is recycled aluminum products, and its raw materials completely came from the aluminum scrap after consumption, while the CO2 emissions was only 5% of primary aluminum, seeing a significant effect in energy conservation and carbon reduction.
- The first batch of new energy end-of-life vehicles entered the factory of Shandong Hongqiao Scholz Circular Economy Science & Technology Co., Ltd, marking an important milestone in the field of green recycle and dismantling, and the philosophy of practicing green circular development.
- The low carbon aluminum can made of 100% green aluminum, jointly developed by Zouping Hongfa Aluminum Technology Co., Ltd. and its partners, was successfully trial-produced during the year, further enhancing the possibility of aluminum becoming the most sustainable packaging material.

03



### 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 in Shandong Province kicked off.
- The large-scale integrated pressure casting project of automobile lightweighting of Shandong Hongcan Material Technology Co., Ltd. was constructed and commenced production, and the first new green demonstration industrial chain of "liquid aluminum - pressure casting - equipment manufacturing - recycling" nationwide was formally launched.
- Showcase the innovative achievements of the most advanced lightweighting technology, materials and products by attending the 2023 (16th) International Automobile Lightweight Conference and Exhibition, and hosting Sino-German Lightweight Forum with partners.



# Optimized Financial Structure

## Expand diversified financing channels at home and abroad

- In 2023, Shandong Hongqiao has issued bonds and notes worth RMB10.22 billion in total, including short-term bonds, medium-term notes and green medium-term notes, at an interest rate of 4.00%-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 3.3bn from the same period last year to appr. RMB 63.4bn
- 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

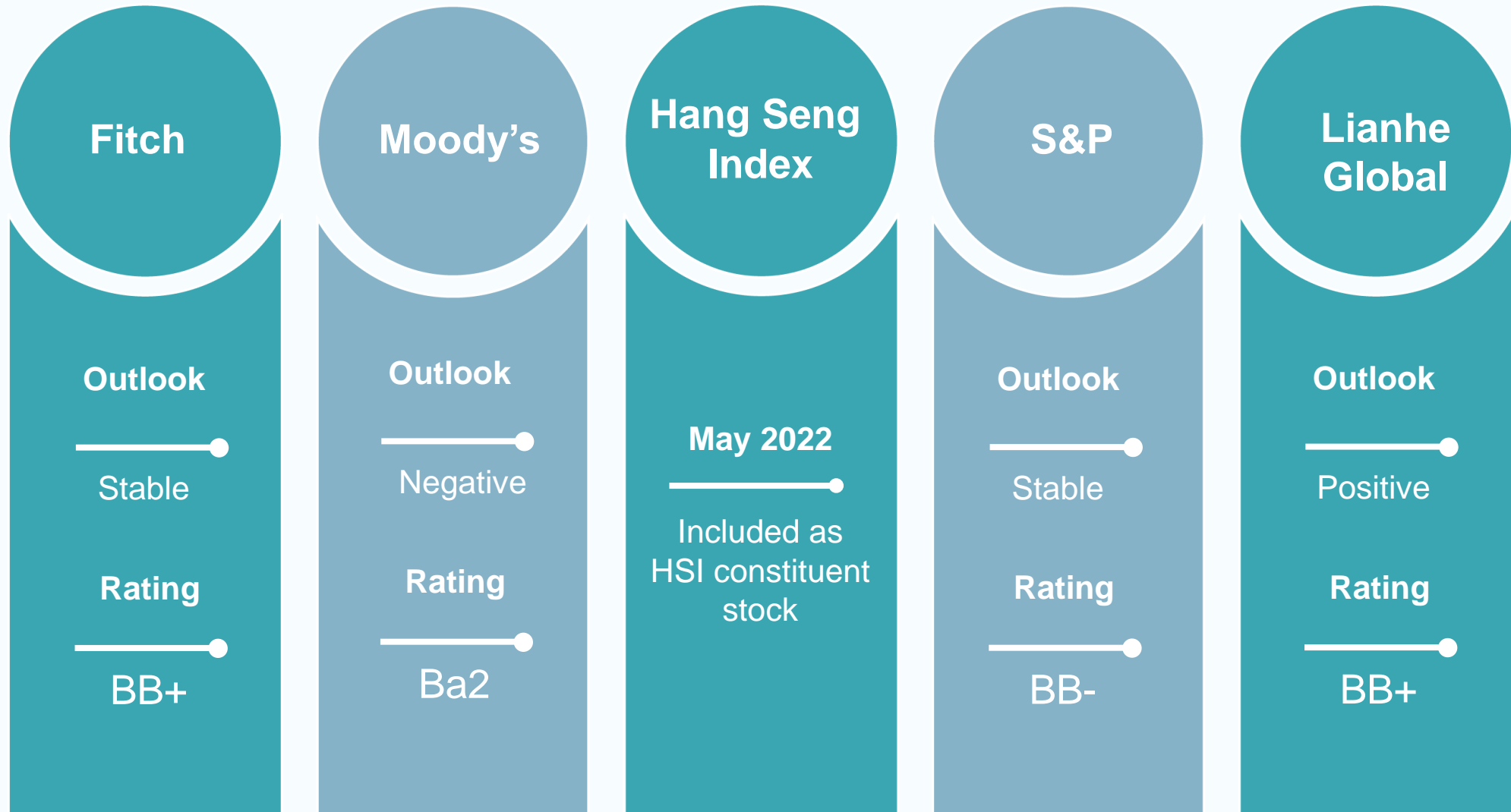


Continuous support from banks

Gearing ratio decreased from approximately 48.2% at the end of 2022 to approximately 47.0% as of 31 December 2023



# Recognition from International Institutions and Rating Agencies



# ESG Highlights

Strive to achieve carbon peaking by 2025

Endeavor to achieve net-zero carbon emissions within the scope of its business by 2055 (Scope 1+2)

## Honors and Awards



Awarded "2023 Forbes China ESG Innovative Enterprise"



Group Chairman/CEO Zhang Bo entered the "Time100 Climate List", the 100 most influential climate leaders in business 2023 by Time Magazine



Won "ESG Leading Enterprise Awards-Leading Environmental Protection Project" by Bloomberg Businessweek / Chinese Edition



Shandong Hongqiao was selected as the "2023 Shandong Social Responsibility Enterprise"

## Certification and Progress

Four subsidiaries of the Group passed the ASI Performance Standard Certification

- Zouping Hongfa Aluminum
- Binzhou Hongzhan Aluminum
- Shandong Hongchuang Aluminum
- Yunnan Hongtai New Material Co., Ltd

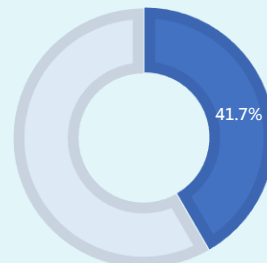
Three subsidiaries of the Group completed the on site audit of ASI Performance Standard

- Shandong Hongqiao Scholz
- Weihai Haixin
- Weihai Chenxin

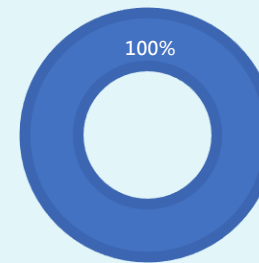


ALUMINIUM-STEWARDSHIP.ORG

## Sustainability KPIs



Ratio of Female Directors 41.7%



Shandong Hongqiao Health and Safety Target 100% Achieved



Strengthen Corporate Governance Level Continuously Improve Management Policies and Systems

\*Shandong Hongqiao, Zouping Hongfa Aluminum, Binzhou Hongzhan Aluminum, Shandong Hongchuang Aluminum, Yunnan Hongtai New Material Co., Ltd, Shandong Hongqiao Scholz Circular Economy Science & Technology Co., Ltd., Weihai Haixin New Material Co., Ltd. and Weihai Chenxin New Material Co., Ltd. are subsidiaries of the Company.





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# Financial Summary

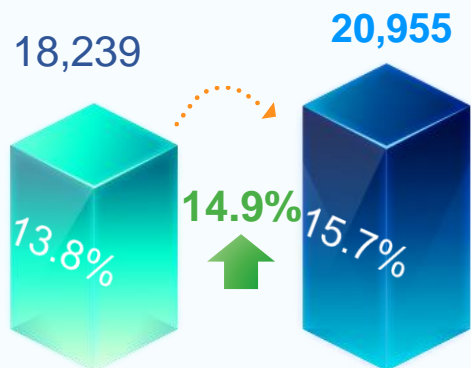
(RMB million)	2022	2023	Variance
Revenue	131,699	133,624	+1.5%
Gross profit	18,239	20,955	+14.9%
Gross profit margin	13.8%	15.7%	+1.9 pp
Net profit	9,809	12,498	+27.4%
Net profit attributable to shareholders	8,702	11,461	+31.7%
Basic earnings per share	RMB0.9358	RMB1.2095	+29.2%
Net profit margin	7.4%	9.4%	+2.0 pp
Final dividend/per share	HK 10 cent	HK 29 cent	+190%
Full-year dividend/per share	HK 51 cent	HK 63 cent	+23.5%



# Profitability

## Gross profit (RMB million)

■ Gross profit    — Gross profit margin

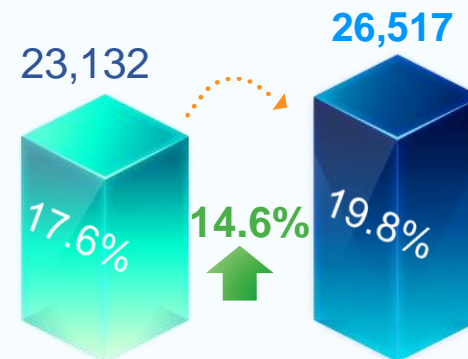


2022

2023

## EBITDA (RMB million)

■ EBITDA    — EBITDA margin

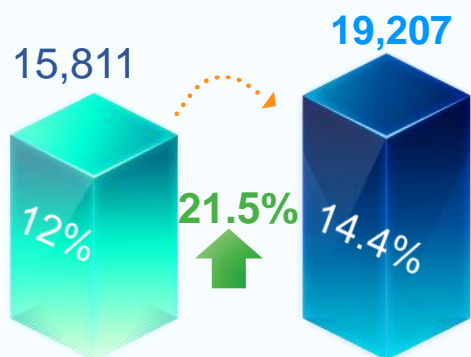


2022

2023

## EBIT (RMB million)

■ EBIT    — EBIT margin

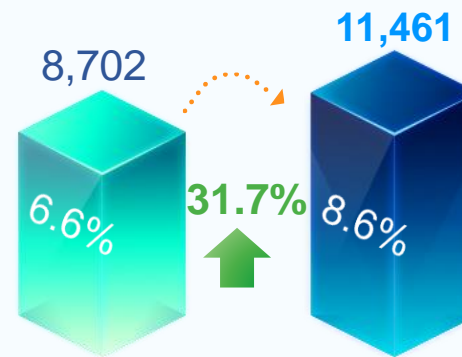


2022

2023

## Net profit attributable to shareholders (RMB million)

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

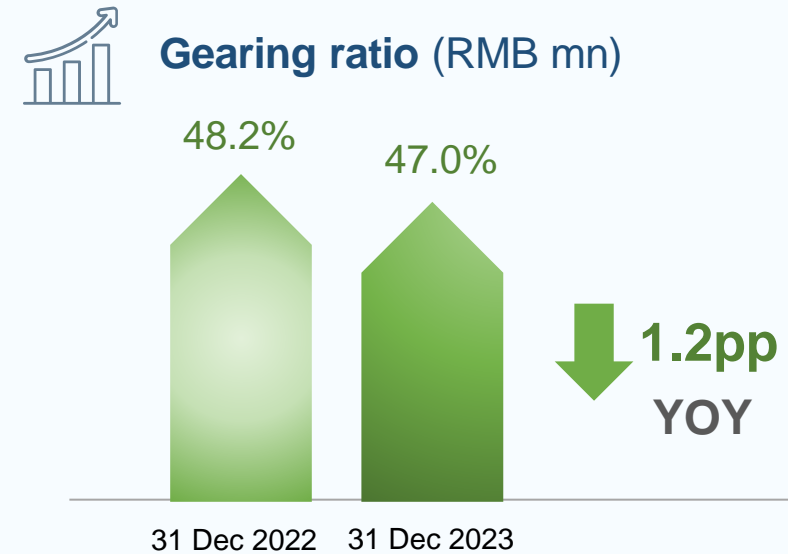
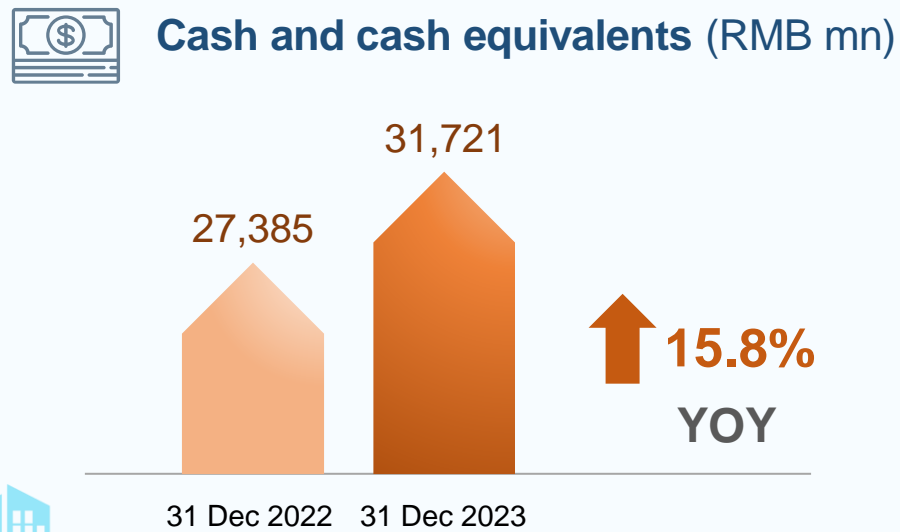
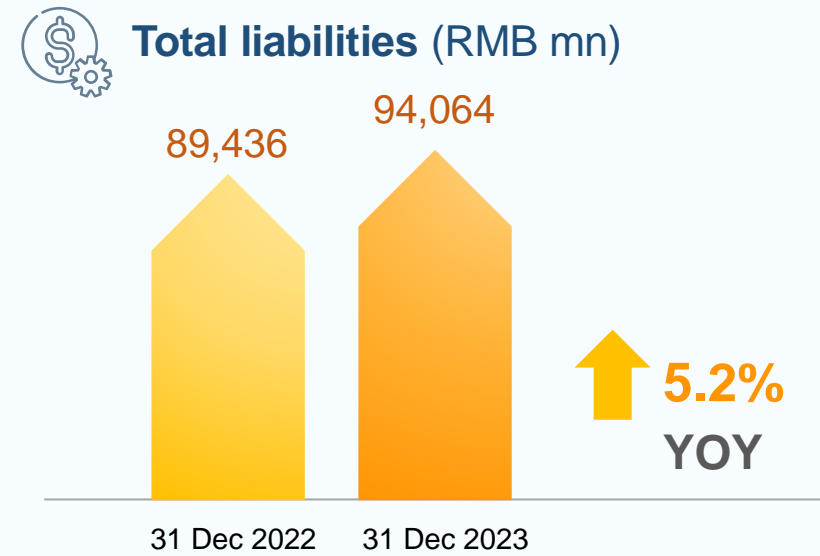
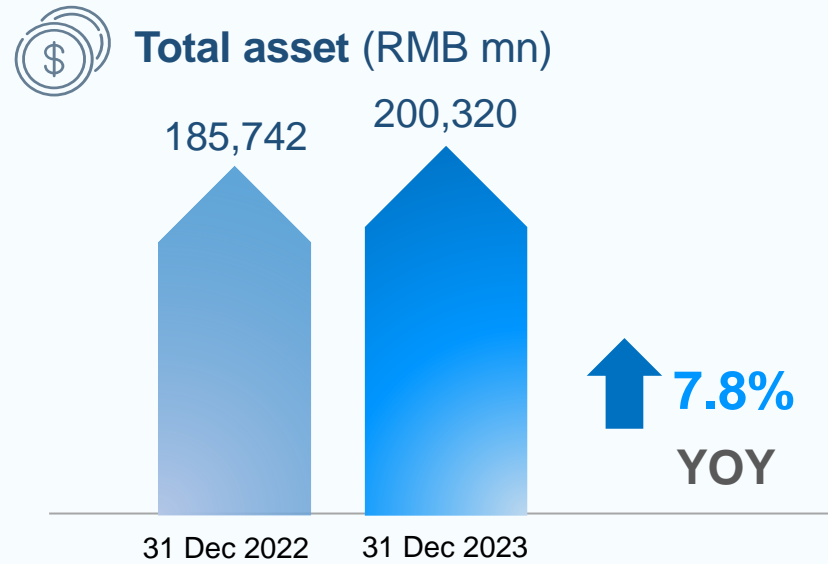


2022

2023



# /// Liquidity and Financial Position ///



\*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

## Globalization

- Secure raw material supply through globalization

## CSR Fulfillment

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



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

- Further strengthen cost advantages, diversify energy structure, and increase the proportion of green power in a stable manner

## Optimization in Capital and Financial Structure

- Strive for stable and long-term development to maximize shareholder benefits

## 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





China Hongqiao Group Limited

中國宏橋集團有限公司

**Thank you!**