



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

2024 Interim Results Announcement

August 2024



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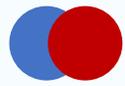
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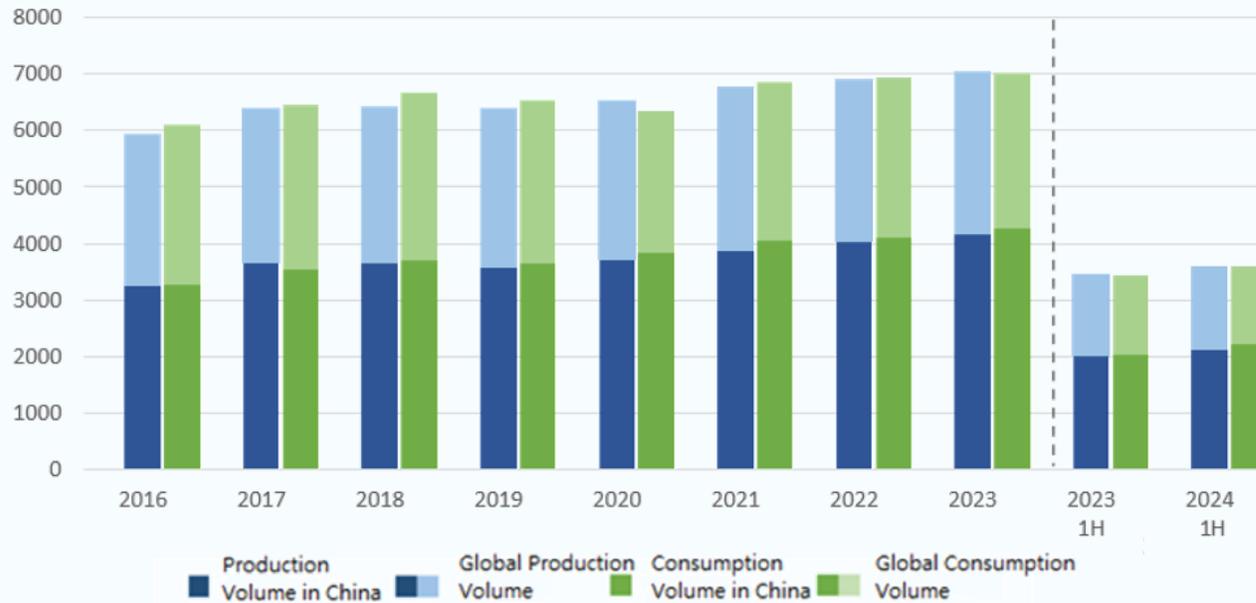
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H1/2024 Global Supply and Demand of Primary Aluminum

'0000 tonnes/year GLOBAL PRODUCTION AND CONSUMPTION OF PRIMARY ALUMINUM



≈21,300,000 tonnes

China's production volume of primary aluminum

5.7% YOY

≈22,100,000 tonnes

China's consumption volume of primary aluminum

8.2% YOY

≈35,800,000 tonnes

Global production volume of primary aluminum

4.0% YOY

≈35,940,000 tonnes

Global consumption volume of primary aluminum

5.3% YOY

Source: Antaike

In H1/2024, China accounted for approximately 59.5% in global primary aluminum production and approximately 61.5% of global primary aluminum consumption, increasing by 0.7pp and 1.7pp respectively YoY.

Demand

- China's aluminum consumption showed a steady growth trend. The rapid growth in NEVs and photovoltaic, brought new growth points for aluminum consumption.
- Among overseas aluminum demand, aluminum demand in India showed a strong growth trend, and that in other countries or regions presented a recovery from the weak demand last year.

Supply

- In general, overseas markets witnessed both production reduction and resumptions in H1. New production capacity needs to be released in H2. The general supply capability has no significant changes from the end of 2023.
- In contrast to the overseas market's supply and demand structure, China's primary aluminum market saw an adequate domestic supply because of the above-expected resumption of production in Southwest China, along with a further increase in imports. On the other hand, overseas market witnessed a tight supply due to sanctions imposed by the US and the EU and the slow growth in outputs.



H1/2024 Aluminum Price Trends

Aluminum Price Trend of LME and SHFE



≈ **2,358USD/tonne**

Average prices of LME

1.3%
YOY

≈ **2,401USD/tonne**

Average prices of LME
3-month aluminum futures

1.6%
YOY

≈ **19,849RMB/tonne**

Average prices of SHFE

7.2%
YOY

≈ **19,846RMB/tonne**

Average prices of SHFE
3-month aluminum futures

8.2%
YOY

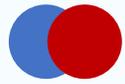
Source: Antaike

- In H1/2024, the US dollar index continued to strengthen, coupled with fluctuations in the expectation of the potential US Federal Reserve interest rate cuts, which increased market volatility, posing pressures on aluminum prices, and resulting in its price fluctuations. However, aluminum prices still showed an upward overall trend.

The growth of the global economy was mild. However, the economic performance of major countries showed better-than-expected improvements to varying degrees, with improving key growth indicators as global inflation eased and interest rate hikes in major developed economies neared the end. Under a weak economic recovery, there were high expectations for the demand for metals such as copper and aluminum to be driven by the photovoltaics and NEV industries. Together with the phased weaknesses in the supply capacity of certain ore varieties and smelting, the non-ferrous metal prices, including aluminum, demonstrated a sharp upward trend in Q2/2024.

- Supply constraints and an improving macro-economic environment resonate to support the rapid rise in aluminum prices.

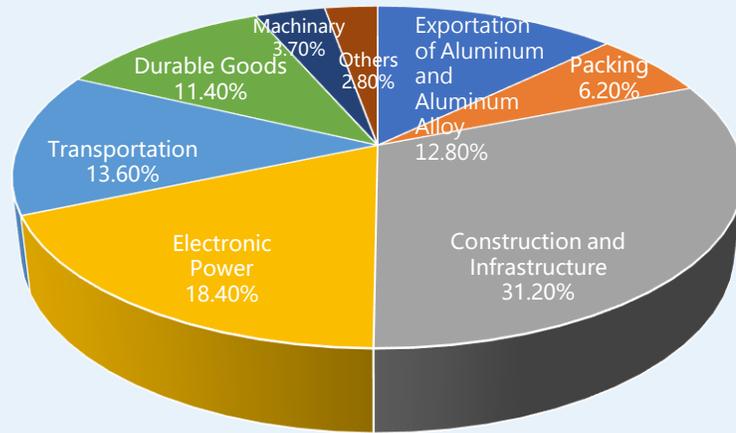




Primary Aluminum Consumption in China

H1/2024 China Primary Aluminum Consumption Breakdown

Source: Antaike · Latest available data as of H1/2024



Key Growth Sectors for China's Electrolytic Aluminum Consumption



- In terms of the consumption breakdown, construction and infrastructure, electronic power, transportation and exportation of aluminum and aluminum alloy accounted for the highest proportion of the consumption in H1/2024. Aluminum consumption in these sectors accounted for 76% of the total consumption.
- During H1/2024, China's primary aluminum consumption showed a steady growth trend, with a strong apparent demand. In H1/2024 China's primary aluminum consumption was about 22.1 million tonnes, representing an increase of about 8.2% YoY. From the terminal data, primary aluminum consumption fared well.
- During H1/2024, the demand in traditional sectors such as real estate continued to shrink, but the sales growth from NEVs, photovoltaics, home appliances and other industries continued. Meanwhile, exports of aluminum products swung to positive growth, effectively offsetting the decrease in other sectors.



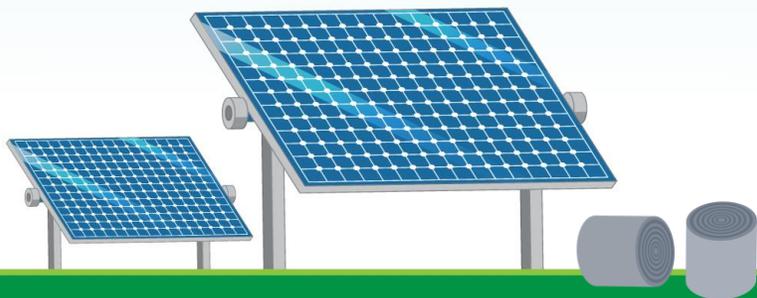
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Operational Highlights – Overall Strategy

Consolidate the Advantages of Upstream and Downstream Integration
Build Green Ecological Chain
Expand the Application of Aluminum



Implement Globalized Resources Strategy
Actively Participate in Construction of Global Supply Chain
Industrial Chain and Value Chain

Optimize Diversified Channels of the Energy Structure
Strengthen Energy Conservation and Emission Reduction
Increase the Proportion of Clean Energy in Use




Forge Innovative and Quality Productive Forces
Promote High-quality Green Development



Increase R&D Investment
Promote Sci-tech Innovation and Market Application
Advance Overall Digital Transformation

Actively Develop Secondary Aluminum
Build the Circular Economy
Deeply Expand the Lightweight Industry



Stabilize Capital Operation Strategy
Constantly Optimize Financial Structure

Long-Term Vision · Prospective Layout · Innovative Green Development · Advantages Consolidation



Vertically Integrated Business Model

Upstream

Bauxite



- Enhance bauxite mining projects in Guinea, Africa to ensure the Group has a stable bauxite supply and keeps steady overall material prices and cost advantages
- Diversify bauxite supply channels in Indonesia and Australia
- Expand bauxite mining projects in overseas market, provide Chinese green development schemes to local areas, and support the reshaping and win-win result of global supply chains

Energy



- Constantly deploy and optimize the diversification of the 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 acceleration in in-depth integration of the aluminum industry with clean energy sources

Alumina



- In H1/2024, annual capacity of domestic and Indonesia alumina plants were respectively 17.5mn tonnes and 2.0mn tonnes, with annual capacity of 19.5mn tonnes in total
- In H1/2024, the alumina market was expanded with strong production and sales volume; the revenue from alumina products was approximately RMB 16.20bn, accounting for approximately 22.0% of the total revenue

Midstream

Primary Aluminum



- During H1/2024, the annual capacity of the primary aluminum was approximately 6.46mn tonnes. Production of primary aluminum was approximately 3.22mn tonnes with capacity utilization of 99.7% annually
- The revenue from primary aluminum products was approximately RMB 49.31bn in H1/2024 accounting for 67.0% of the Group's total revenue. Sales volume increased by approximately 0.5% YoY
- During H1/2024, the gross profit margin was 24.6% for primary aluminum products, which increased by 15.9 percentage point YoY.

Downstream

Aluminum Fabrication



- During H1/2024, the output of aluminum fabrication products was approximately 493,000 tonnes
- Increase spending on R&D and digital empowerment, Improve added value of products to increase the profit margin
- Enhance the breakthrough in common key technologies across the industry, and develop new aluminum alloy materials with independent intellectual property rights and reaching the global leading level
- The revenue from aluminum fabrication products was approximately RMB 7.58bn in H1/2024



Leading Production Technology

Sci-tech Innovation, Digital Empowerment · Energy Saving, Ecological Priority

- ◆ Shandong Hongqiao New Material Co., Ltd. is the only company that has been recognized as the national high-tech industrialization base of high-end aluminum materials by the Ministry of Science and Technology of China, and the national industry demonstration base of new-type industrialization of new lightweight aluminum materials.
- ◆ The Group has built the world's first full-series 600 kA prebake anode cells, has maintained the international leading level in overall technology and has been awarded the first prize of China Non-ferrous Metals Industry Science and Technology Award, the only leading enterprise in terms of energy-efficiency in primary aluminum industry, the Demonstration Factory for Intelligent Manufacturing, and the National Energy Conservation Standardization Demonstration Project, ensuring its strong global competitiveness.
- ◆ Non-electric pump system was adopted to reduce electricity consumption; start-up through intermediate pressure cylinder technology was adopted to reduce energy consumption during commissioning and production.
- ◆ A fully intergraded production line with a one-million-tonne annual capacity of alumina was adopted to improve efficiency and reduce energy consumption.
- ◆ With the national honor of "Demonstration Factory for Intelligent Manufacturing", the smart aluminum electrolysis future plant project collected expert experience as data models to form an "intelligent brain" to upgrade the low-efficiency and high-consumption cells to high efficiency and low consumption with the optimization of management and control through smart process system and Digital Twin. Improved process ideas and optimized production processes brought good indicators concerning high efficiency, low consumption, energy conservation and environmental protection.
- ◆ Two subsidiaries of the group have been awarded as national-level green factories and two have been awarded as provincial-level green factories.



***Shandong Hongqiao is subsidiary of the Company*



Optimized Financial Structure



Continuously Optimize financial structure

- Interest-bearing debt was appr. RMB 70.4bn
- Under the principles of robust and efficient capital management, keep optimizing the capital structure and improving the efficiency of capital utilization while continuing to strengthen financial management and internal control
- Expand diversified financing channels, with different debt financing instruments for a balance between sustainability and flexibility of financing

Expand diversified financing channels at home and abroad

- Shandong Hongqiao successfully issued 10 short-term financing bonds, medium-term notes and sci-tech innovation medium-term notes with an aggregate amount of RMB9.5 billion, at an interest rate of 2.57% to 4%. This not only received proactive responses from domestic investors but also set a historically low interest rates of its long and medium-term bonds.
- The Group successfully issued US\$300 million senior unsecured notes with a coupon rate of 7.75% in the US dollar bond market, and received subscriptions of more than 7 times.
- Expand and maintain diversified financing channels with domestic and foreign banks



Continuous support from banks

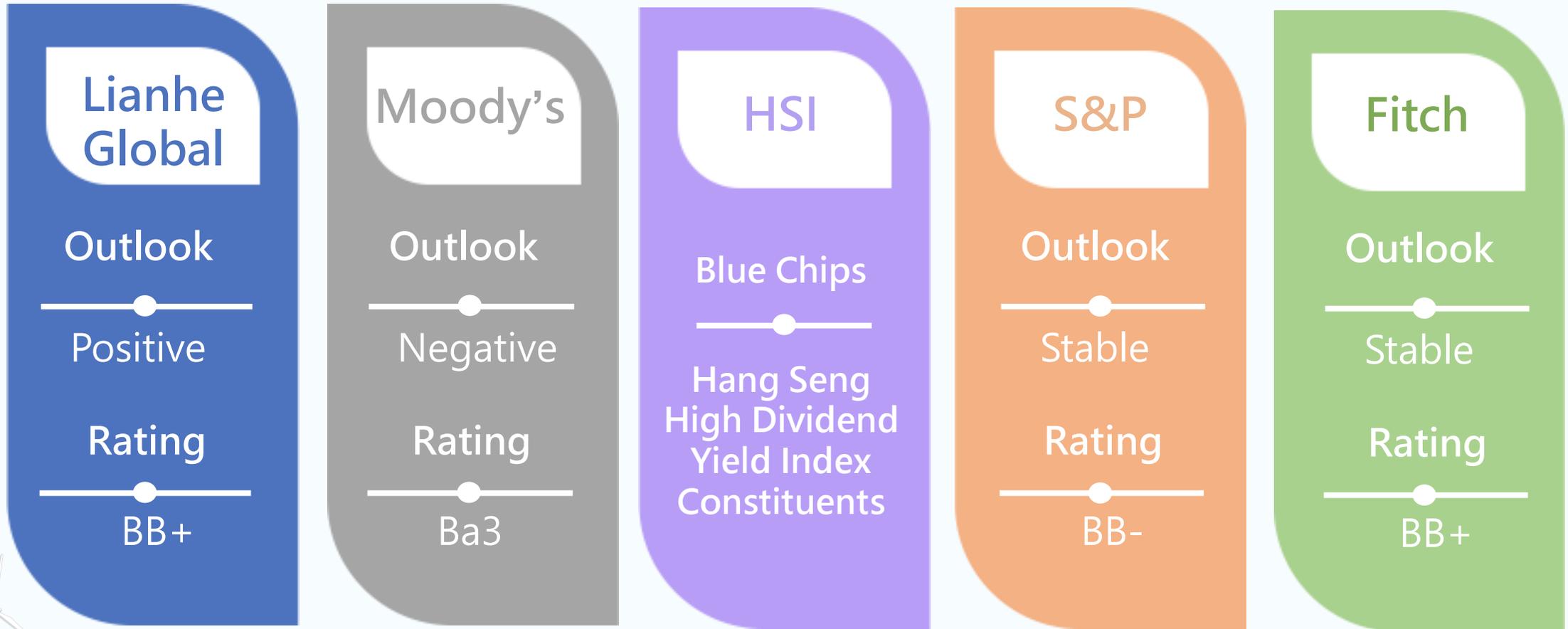
- Strive for continuous and deep cooperation with various domestic and international banks
- Deepen existing partnerships with banks



Gearing Ratio at 48.5% as at 30 June 2024, remained at a low level.



Recognition from International Institutions and Rating Agencies





ESG Highlights

China Hongqiao's "Dual carbon" goals and action plan: Strive to achieve carbon peak before 2025

Endeavor to achieve net-zero carbon emissions within the scope of its business before 2055

Honors & Awards



"The Asset Triple A Digital Awards 2024"

Awarded by *The Asset*, a leading magazine in Asia's investment community

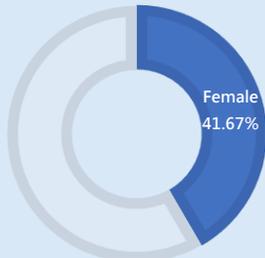


Named "Most Honored Company" 2024 (Asia Pacific ex Japan) by *Institutional Investor*

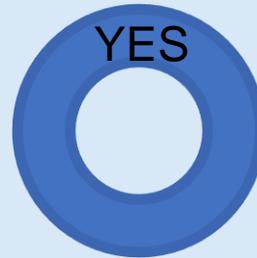


Shandong Hongtuo Industrial Co., Ltd. has been selected into a list of "leading" enterprises in energy efficiency in key industries for 2023 by the Ministry of Industry and Information Technology, the National Development and Reform Commission, and the State Administration for Market Regulation

KPI



Female directors of the board account for 41.6%



Shandong Hongqiao sets quantitative goals for healthy and safe production and fully meets the standard



Strengthen corporate governance and continuously improve management policies and system



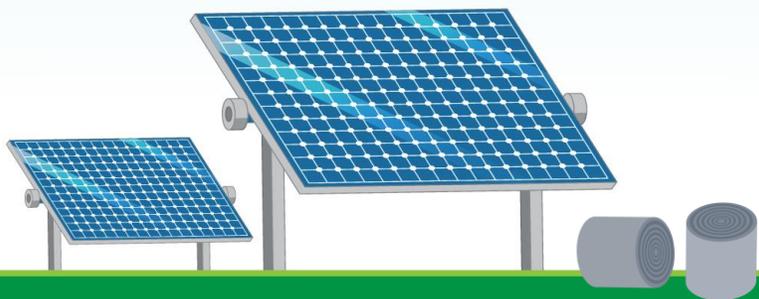
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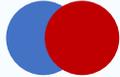
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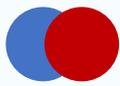




Financial Summary

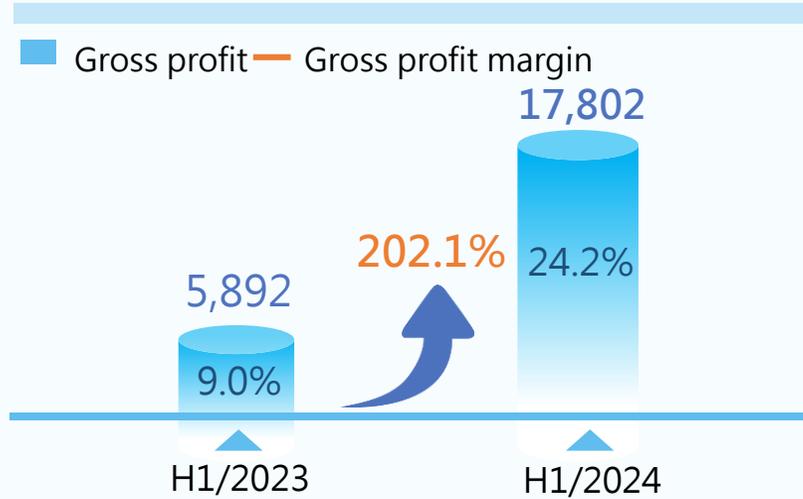
(RMB million)	H1/2023	H1/2024	Variance
Revenue	65,734	73,592	+12.0%
Gross profit	5,892	17,802	+202.1%
Gross profit margin	9.0%	24.2%	+15.2pp
Net profit attributable to shareholders	2,457	9,155	+272.7%
Basic earnings per share	RMB 0.259	RMB 0.966	+273.0%
Interest Coverage Ratio	6.02X	13.23X	+7.21X
Interim dividend	HK 34 Cents/Share	HK 59 Cents/Share	+73.5%



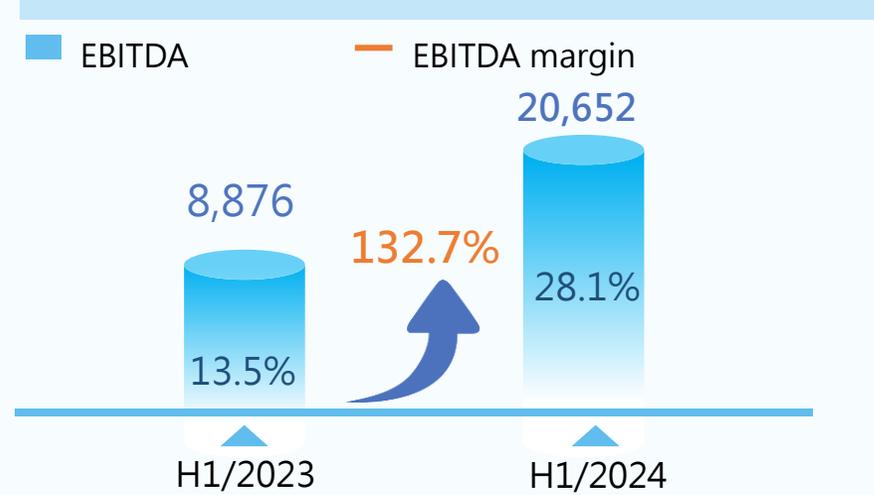


Profitability

Gross profit (RMB million)



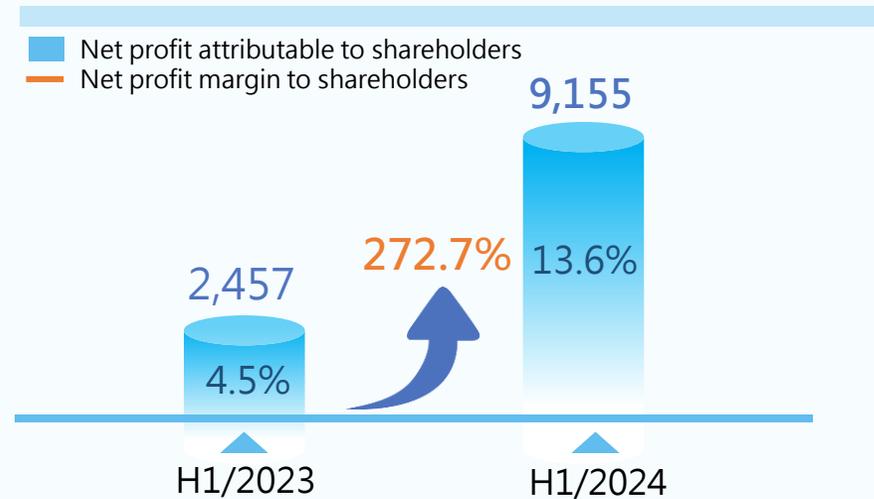
EBITDA (RMB million)



EBIT (RMB million)

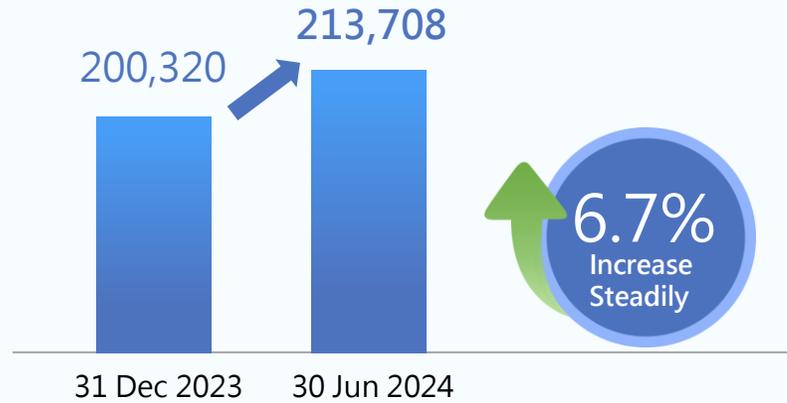


Net profit attributable to shareholders (RMB million)

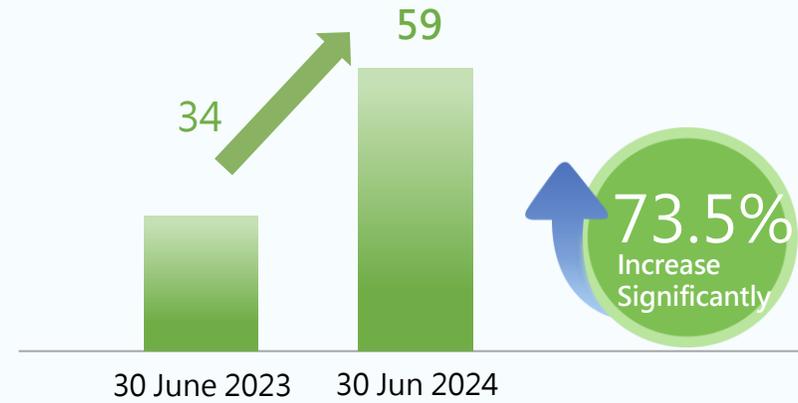


Liquidity and Capital

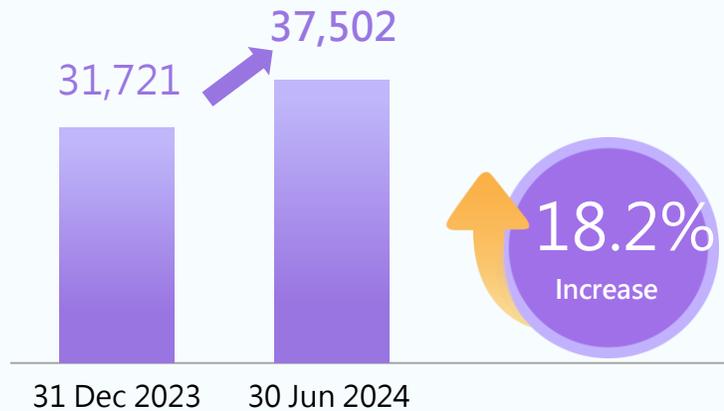
 Total assets (RMB mn)



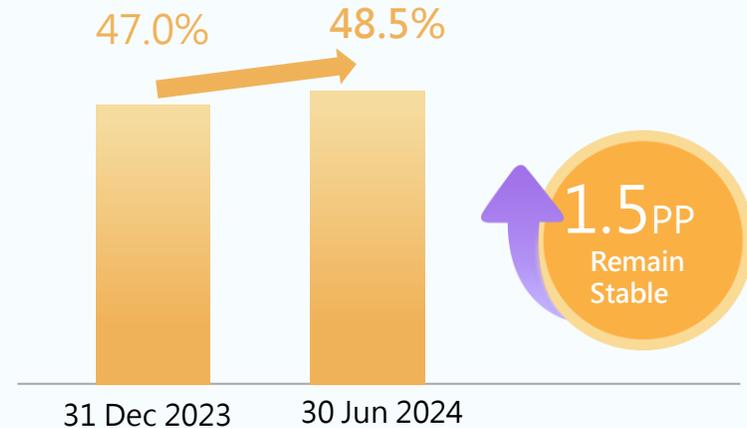
 Dividend (HK cents per share)



 Cash and cash equivalents (RMB mn)



 Gearing ratio



*Gearing ratio= total liabilities / total assets



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Future Development Strategies

Integration of Aluminum & Electricity, More Clean Energy Use

- Strengthen cost advantages, diversify energy structure, and increase the proportion of green power

CSR Fulfillment

- Take part in public welfare, living standards and common prosperity to serve the society

Further Investment in Tech Upgrading and Green R&D

- Ramp up R&D investment, embrace new technologies and focus on digital and intelligent transformation to fulfill the Group's green commitment and achieve "dual carbon" goals



Upstream-downstream Integration, Advantage Consolidation

- Promote the integration of upstream and downstream sectors and green transformation, and boost high-quality development of aluminium industry
- Upgrade diversification of regions and general businesses

Steady Optimization of Capital and Financial Structure

- With stability for the future, actively build diversified financing channels, always adhere to the principles of prudent and effective capital management, and strive to maximize shareholders' benefits

Globalization, Win-win Coexistence for All

- Secure sustained stable upstream raw material supply through resource globalization strategies
- Stay committed to long-term vision, integrate into the reshaping of global supply chain, and fulfill win-win coexistence

Enhance cost advantages and economies of scale, adhere to guidance by science and innovation, accelerate industrial layout, maintain the leading position in global aluminum industry and grow into a long-standing global manufacturing leader



Q&A





China Hongqiao Group Limited

中國宏橋集團有限公司

Thank you!

