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China Hongqiao Group Limited

中國宏橋集團有限公司

(Incorporated under the laws of Cayman Islands with limited liability)
(Stock Code: 1378)

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

RESULTS HIGHLIGHTS

- Revenue decreased by approximately 3.6% to approximately RMB39,938,675,000 as compared with the corresponding period of last year
- Gross profit decreased by approximately 15.4% to approximately RMB6,468,399,000 as compared with the corresponding period of last year
- Net profit attributable to owners of the Company increased by approximately 14.3% to approximately RMB2,831,849,000 as compared with the corresponding period of last year
- Basic earnings per share increased by approximately 15.0% to approximately RMB0.330 as compared with the corresponding period of last year
- The Board declares an interim dividend for 2020 of HK15.0 cents per share (six months ended 30 June 2019: nil)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	39,938,675	41,430,060
Cost of sales		(33,470,276)	(33,787,534)
Gross profit		6,468,399	7,642,526
Other income and gains		1,075,567	1,880,232
Selling and distribution expenses		(152,559)	(291,648)
Administrative expenses		(1,858,407)	(1,556,076)
Other expenses	5	(362,421)	(1,221,067)
Finance costs		(2,210,955)	(2,923,576)
Changes in fair value of derivatives		86,166	(24,896)
Share of profits of associates		354,279	376,878
Profit before taxation		3,400,069	3,882,373
Income tax expenses	6	(595,591)	(1,099,670)
Profit for the period		2,804,478	2,782,703
Profit (loss) for the period attributable to:			
Owners of the Company		2,831,849	2,477,037
Non-controlling interests		(27,371)	305,666
		2,804,478	2,782,703

		Six months ended 30 June	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense) for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translating foreign operations		59,717	(746)
Share of other comprehensive income of associates		21,357	3,991
		<u>81,074</u>	<u>3,245</u>
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on equity instruments at fair value through other comprehensive income		(58,647)	(101,796)
		<u>2,826,905</u>	<u>2,684,152</u>
Total comprehensive income for the period, net of income tax			
attributable to:			
Owners of the Company		2,830,989	2,378,777
Non-controlling interests		(4,084)	305,375
		<u>2,826,905</u>	<u>2,684,152</u>
Earnings per share			
– Basic (RMB)	8	0.330	0.287
– Diluted (RMB)		0.325	0.287

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		As at 30 June 2020	As at 31 December 2019
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	66,370,358	71,019,374
Right-of-use assets		5,254,570	5,152,415
Intangible assets		28,878	24,884
Deposits paid for acquisition of property, plant and equipment		583,493	513,617
Deferred tax assets		2,243,738	2,084,454
Interests in associates		5,319,312	4,723,329
Loan to an associate		–	2,000,000
Goodwill	10	509,575	608,818
Financial asset at amortised cost	15	1,000,000	–
Financial assets at fair value through other comprehensive income	11	230,692	289,339
		<u>81,540,616</u>	<u>86,416,230</u>
CURRENT ASSETS			
Inventories	12	21,335,966	21,846,922
Trade receivables	13	9,491,923	10,311,326
Bills receivables		8,155,954	11,139,775
Prepayments and other receivables		8,753,539	6,075,312
Loan to an associate		2,000,000	–
Financial asset at fair value through profit or loss		–	2,005
Other financial asset		1,742	819
Income tax recoverable		88,814	–
Restricted bank deposits		1,502,395	1,423,967
Cash and cash equivalents		41,079,476	41,857,116
		<u>92,409,809</u>	<u>92,657,242</u>
Non-current assets classified as held for sale		–	530,973
		<u>92,409,809</u>	<u>93,188,215</u>

		As at 30 June 2020	As at 31 December 2019
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade and bills payables	14	13,025,723	18,215,656
Other payables and accruals		10,645,789	13,379,843
Bank borrowings – due within one year		30,748,735	29,054,849
Other borrowing – due within one year		1,413,244	1,391,446
Other financial liabilities		12,319	3,300
Lease liabilities		25,081	28,874
Income tax payable		1,477,255	1,727,235
Medium-term debentures and bonds – due within one year		21,057,536	1,495,784
Deferred income		20,309	22,330
		<u>78,425,991</u>	<u>65,319,317</u>
NET CURRENT ASSETS		<u>13,983,818</u>	<u>27,868,898</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>95,524,434</u>	<u>114,285,128</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		3,831,035	3,519,628
Lease liabilities		51,073	61,859
Liability component of convertible bonds		1,241,102	1,150,555
Derivatives component of convertible bonds		189,833	279,937
Deferred tax liabilities		713,908	721,545
Medium-term debentures and bonds – due after one year		18,895,489	38,529,229
Guaranteed notes		3,514,105	3,457,313
Deferred income		611,797	549,086
		<u>29,048,342</u>	<u>48,269,152</u>
NET ASSETS		<u>66,476,092</u>	<u>66,015,976</u>
CAPITAL AND RESERVES			
Share capital		559,090	559,090
Reserves		<u>62,770,353</u>	<u>62,605,028</u>
Equity attributable to owners of the parent		63,329,443	63,164,118
Non-controlling interests		<u>3,146,649</u>	<u>2,851,858</u>
TOTAL EQUITY		<u>66,476,092</u>	<u>66,015,976</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

China Hongqiao Group Limited (the “Company”) incorporated in the Cayman Islands as an exempted company under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and immediate holding company is China Hongqiao Holdings Limited (“Hongqiao Holdings”), a company incorporated in the British Virgin Islands (“BVI”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report.

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the “Group”) are principally engaged in the business of manufacture and sales of aluminum products.

The interim condensed consolidated financial information are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its subsidiaries in the People’s Republic of China (“PRC”) and Hong Kong. The functional currency of a subsidiary established in Indonesia is denoted in Indonesia Rupiah (“IDR”) and the functional currency of subsidiaries established in Singapore and the Republic of Guinea are denoted in United States Dollar (“US\$”).

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”). This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the IASB.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019 except as disclosed below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning on 1 January 2020.

Amendments to IFRS 3

Amendments to IAS 1 and IAS 8

Amendments to IFRS 9, IAS 39 and IFRS 7

Definition of a Business

Definition of Material

Interest rate Benchmark Reform

Except as described below, the Amendments to References to the Conceptual Framework in IFRSs and amendments to IFRSs in the current interim period has had no material effects on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

Amendments to IFRS 3 *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

4. REVENUE

An analysis of the Group’s revenue is as follows:

	Six months ended 30 June	
	2020	2019
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	26,578,661	29,268,773
– aluminum alloy ingot	2,463,650	1,159,352
– aluminum fabrication	4,134,386	4,466,496
– alumina products	6,391,488	6,157,040
Steam supply income	370,490	378,399
	39,938,675	41,430,060

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Geographical region</i>		
The PRC	38,206,612	39,429,020
India	389,859	640,754
Europe	349,999	296,619
Malaysia	95,634	678,495
Southeast Asia	434,451	164,774
North America	296,234	102,531
Others	165,886	117,867
	<hr/>	<hr/>
Total	39,938,675	41,430,060
	<hr/> <hr/>	<hr/> <hr/>
<i>Type of customers</i>		
Government related	281	1,114
Non-government related	39,938,394	41,428,946
	<hr/>	<hr/>
Total	39,938,675	41,430,060
	<hr/> <hr/>	<hr/> <hr/>
<i>Sales channels</i>		
Direct sales	39,938,675	41,430,060
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER EXPENSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of trade receivables	16,532	15,166
Impairment loss recognised in respect of other receivables	11,735	259
Impairment loss recognised in respect of property, plant and equipment	152,520	1,174,743
Impairment loss recognised in respect of goodwill	99,243	–
Write-down of inventories to net realisable value	82,391	30,899
	<hr/>	<hr/>
	362,421	1,221,067
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSES

The Group calculates the period income tax expenses using the tax rates that would be applicable to the expected total annual earnings. The major components of income tax expenses in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	–	47,350
– Indonesia Corporate Tax	13,357	71,638
– PRC Enterprise Income Tax	749,155	1,214,194
	<u>762,512</u>	<u>1,333,182</u>
Over provision in previous years:		
– Hong Kong Profits Tax	–	(6,166)
	<u>–</u>	<u>(6,166)</u>
Deferred taxation	<u>(166,921)</u>	<u>(227,346)</u>
Total income tax expenses	<u>595,591</u>	<u>1,099,670</u>

7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period	<u>2,665,809</u>	<u>1,807,631</u>

Subsequent to the end of the reporting period, the board of directors determined that an interim dividend of HK15.0 cents per share, amounting to approximately HK\$1,285,628,000 will be paid. The amount of interim dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial statements, has not been recognised as a liability in the interim condensed consolidated financial statements.

During the current period, a final dividend of HK34.0 cents per share in respect of the year ended 31 December 2019 has been approved and paid.

During the six months ended 30 June 2019, a final dividend of HK24.0 cents per share in respect of the year ended 31 December 2018 has been approved and paid.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	2,831,849	2,477,037
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	116,164	–
Changes in fair values of derivatives component of convertible bonds	(94,262)	–
Exchange loss on translation of liability component of convertible bonds	22,214	–
	<hr/>	<hr/>
Earnings for the purpose of diluted earnings per share	<u>2,875,965</u>	<u>2,477,037</u>
	Six months ended 30 June	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	8,570,852	8,630,209
Effect of dilutive potential ordinary shares:		
Convertible bonds	269,669	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>8,840,521</u>	<u>8,630,209</u>

The computation of diluted earnings per share for the six months ended 30 June 2019 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group purchased property, plant and equipment of approximately RMB1,865,586,000, excluding transferred from construction in progress of approximately RMB536,092,000, and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB2,962,647,000 (six months ended 30 June 2019: purchased approximately RMB2,071,125,000, excluding property, plant and equipment acquired from new acquired subsidiaries with carrying amount of approximately RMB421,600,000, transferred from construction in progress of approximately RMB3,188,327,000, transferred to held for sale with carrying amount of approximately RMB530,973,000 and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB149,474,000).

During the six months ended 30 June 2020, the Group spent approximately RMB1,703,290,000 (six months ended 30 June 2019: RMB1,423,525,000) on the construction of its new product lines and power plant.

The depreciation of the Group for the six months ended 30 June 2020 is approximately RMB3,468,584,000 (six months ended 30 June 2019: RMB3,576,607,000).

During the six months ended 30 June 2020, due to the coal consumption reduction alternative work programme introduced by the relevant governmental regulations, the directors of the Company have suspended certain plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of approximately RMB152,520,000 have been recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their fair value less costs of disposal.

During the six months ended 30 June 2019, due to the relocation of production capacities programme and the coal consumption reduction alternative work programme introduced by the relevant governmental regulations, the directors of the Company suspended certain property, plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of approximately RMB1,174,743,000 was recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their value-in-use.

During the six months ended 30 June 2019, due to the relocation of production capacities programme, certain of previous impaired property, plant and equipment resumed its production and certain property, plant and equipment previously impaired would be sold within twelve months. The directors of the Company conducted a review of the related property, plant and equipment and determined that a reversal of provision for impairment loss on relevant property, plant and equipment should be recognised. Accordingly, a reversal of provision for impairment of approximately RMB658,974,000 was recognised (six months ended 30 June 2020: nil).

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparable approach is used to measure fair value less costs of disposal. The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuations carried out on 30 June 2020 and 2019 were performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations.

At 30 June 2020, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB12,486,648,000 (31 December 2019: RMB11,121,259,000) are pledged to secure bank borrowings of the Group.

Buildings with carrying amount of RMB4,405,436,000 (31 December 2019: RMB4,488,324,000) located in the PRC are in the process of obtaining the property certificates.

10. GOODWILL

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Cost		
At beginning and at the end of the financial period/year	<u>1,934,457</u>	<u>1,934,457</u>
Accumulated impairment losses		
At beginning and end of the financial period/year	1,325,639	1,325,639
Impairment loss recognised during the period/year	<u>99,243</u>	<u>–</u>
At the end of the financial period/year	<u>1,424,882</u>	<u>1,325,639</u>
Carrying amount		
At the end of the financial period/year	<u>509,575</u>	<u>608,818</u>

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

During the six months ended 30 June 2020, the Group recognised an impairment loss of approximately RMB99,243,000 (six months ended 30 June 2019: nil) in relation to goodwill arising on acquisition of Shandong Hongchuang Aluminum Industry Holding Company Limited (“Hongchuang”), resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang. No impairment loss have been recognised during the year ended 31 December 2019.

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)

Financial asset at FVTOCI comprise:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Equity instrument as at FVTOCI		
– Listed	<u>230,692</u>	<u>289,339</u>

Investments in listed equity securities represent the Group’s investment in Bank of Jinzhou, a company listed in Hong Kong and engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. This investment in equity instrument is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate this investment in equity instrument as at FVTOCI as they believe that recognising short-term fluctuations in this investment’s fair value in profit or loss would not be consistent with the Group’s strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

12. INVENTORIES

At 30 June 2020, the carrying amounts of the Group's inventories were net of impairment provision of approximately RMB117,873,000 (31 December 2019: RMB110,580,000).

During the period, inventories previously impaired were sold at profit. As a result, a reversal of provision of approximately RMB75,098,000 (six months ended 30 June 2019: RMB43,025,000) has been recognised and included in other income and gains in the current period.

13. TRADE RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables	9,515,456	10,318,327
Less: allowance for impairment loss	<u>(23,533)</u>	<u>(7,001)</u>
	<u>9,491,923</u>	<u>10,311,326</u>

The Group allows an average credit period of 90 days to its trade customers with trading history, or otherwise sales on cash terms are required. The following is an aged analysis of trade receivables presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period.

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 3 months	8,261,475	8,561,127
3-12 months	1,213,928	1,748,274
12-24 months	<u>16,520</u>	<u>1,925</u>
	<u>9,491,923</u>	<u>10,311,326</u>

14. TRADE AND BILLS PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	10,966,654	16,076,814
Bills payables	<u>2,059,069</u>	<u>2,138,842</u>
	<u>13,025,723</u>	<u>18,215,656</u>

Included in trade payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Within 6 months	10,607,987	15,609,824
6-12 months	267,686	422,080
1-2 years	53,594	10,658
More than 2 years	<u>37,387</u>	<u>34,252</u>
	<u>10,966,654</u>	<u>16,076,814</u>

The average credit period on purchases of goods is six months. Bills payables are bills of acceptance with maturity of less than one year.

15. FINANCIAL ASSET AT AMORTISED COST

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Financial asset at amortised cost		
Collective investment trust (<i>note</i>)	<u>1,000,000</u>	<u>–</u>

Note: The collective investment trust represents asset income trust with 1,000,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd.. The asset income trust carries fixed interest rate of 7.22% per annum and will be matured on 3 January 2022.

16. ACQUISITION OF A SUBSIDIARY

On 31 March 2019, the Group acquired 100% of the equity interest in Hongbo Aluminum Industry Technology Company Limited* (“Hongbo Aluminum Industry”) 濱州鴻博鋁業科技有限公司 from Boxing Ruifeng Aluminum Plate Company Limited* 博興縣瑞豐鋁板有限公司, an independent third party, for a consideration of approximately RMB147,666,000. Approximately RMB92,166,000 of the consideration has been paid during the year ended 31 December 2019. The remaining balance of RMB55,500,000 has been settled on 30 June 2020. This acquisition has been accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB3,282,000. Hongbo Aluminum Industry is engaged in the manufacture and sales of aluminum fabrication. Hongbo Aluminum Industry was acquired so as to continue the expansion of the Group’s aluminum products operations.

Consideration of the acquisition:

	<i>RMB'000</i>
Cash consideration	147,666
Less: cash consideration paid	<u>(147,666)</u>
Consideration payable (included in other payables)	<u><u>–</u></u>

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Property, plant and equipment	421,600
Intangible assets	6
Inventories	245,658
Trade receivables	132,241
Bill receivables	7,715
Prepayments and other receivables	99,661
Cash and cash equivalents	8,766
Trade payables	(328,862)
Other payables and accruals	(435,745)
Income tax payable	<u>(92)</u>
	<u><u>150,948</u></u>

Acquisition-related costs amounting to RMB240,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2019, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Gain on bargain purchase:

	<i>RMB'000</i>
Consideration of the acquisition	147,666
Less: net assets acquired	<u>(150,948)</u>
Gain on bargain purchase	<u><u>3,282</u></u>

Net cash outflow arising on acquisition:

	As at 31 December 2019 RMB'000
Cash consideration	147,666
Less: cash and cash equivalent acquired consideration payable	(8,766) <u>(55,500)</u>
Net cash outflow on acquisition	<u><u>83,400</u></u>

Included in the profit for the year is approximately a loss of approximately RMB26,402,000, attributable to the additional business generated by Hongbo Aluminum Industry. Revenue for the year ended 31 December 2019 includes approximately RMB803,292,000 generated from Hongbo Aluminum Industry.

Had the acquisition been completed on 1 January 2019, total revenue of the Group for the year ended 31 December 2019 would have been approximately RMB84,495,325,000 and profit for the year would have been approximately RMB6,236,484,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

* *The English name of the above companies are for reference only*

17. COMMITMENTS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment – Contracted for but not provided	<u><u>2,413,124</u></u>	<u><u>2,292,296</u></u>

CHAIRMAN'S STATEMENT

On behalf of the board (the “Board”) of directors (the “Directors”) of China Hongqiao Group Limited (the “Company” or “China Hongqiao”), I am pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Period” or “Period Under Review”).

In the first half of 2020, the adverse impact of COVID-19 pandemic (the “Pandemic”) led to a weak growth momentum to the world economy. China’s economy recorded a growth despite of an earlier decline, the growth for the second quarter has returned to positive territory and the economic data has recovered gradually. At the same time, however, due to factors including the emerging trade frictions, resource and environmental policies, and adjustment on industrial structure, the Group’s business and operations still face some uncertainties.

Nevertheless, China Hongqiao faced these challenges by leveraging on the advantages of its core competitiveness, its business model and proactive business development strategies, enabling it to sustain its productions and operations while further strengthening its leadership in aluminum market. In terms of domestic business, the Group accelerated the construction of Yunnan green aluminum innovation industrial park project. The implementation of this project will further optimize the Group’s energy structure and reduce production costs. In addition, the Group focused on the material strategy of “Three New (new infrastructure, new material and new applications) and One High (high value-added)”, and accelerated the construction of aluminium lightweight material bases. In terms of overseas business, the Group steadily promoted the phase 2 of 1-million-ton alumina project in Indonesia and diligently operated the bauxite business in Guinea, Africa, which has laid a solid foundation for the long-term and steady development of the Group.

During the Period Under Review, the Group’s revenue was approximately RMB39,938,675,000, representing a year-on-year decrease of approximately 3.6%. Gross profit was approximately RMB6,468,399,000, representing a year-on-year decrease of approximately 15.4%, while net profit attributable to owners of the Company was approximately RMB2,831,849,000, representing a year-on-year increase of approximately 14.3%. Basic earnings per share was approximately RMB0.330 (for the corresponding period of 2019: approximately RMB0.287). On 21 August 2020, the Board resolved to declare an interim dividend of HK15.0 cents per share for the six months ended 30 June 2020 to the shareholders whose names appear on the register of members of the Company on 13 November 2020 (for the corresponding period of 2019: nil).

After years of devoted efforts, the Group has integrated an upstream and downstream fullchain operation pattern with bauxite mining, productions and sales of alumina, electrolytic aluminum and deeply processed aluminum products, achieving economics of scale. While continuously managing its existing assets properly, the Group will actively extend to downstream of the aluminum industry chain and focus on the development of lightweight materials and circular economy of secondary aluminum. In addition, the Group will further increase investment in scientific research, actively cooperate with national scientific research institutions, and strive to achieve new breakthroughs in aluminum industry technologies and aluminum products application in order to promote the high-quality development of the aluminum processing industry.

For the remainder of 2020, there are challenges and opportunities ahead for the aluminum industry. The Group firmly believes that the foundation of healthy development of aluminum industry in China is solid and the domestic demand is strong, therefore, the Group stays confident in the future development of China's aluminum industry. The Group will continue to pursue its original goals, fulfil its roles as a leader and incubator, optimise its industrial model, fully utilise its industrial advantages, and support the development of upstream and downstream enterprises in order to facilitate the high-quality, efficient and sustainable development of the aluminum industry. At the same time, the Group will expedite the pace of innovation-driven development and smart manufacturing, and continue to optimise its financial structure in order to bring greater return to its shareholders under premise of ensuring sustainable development. The Group will continue to increase investment in energy conservation and environmental protection, increasingly utilise clean energy sources such as hydropower and photovoltaic power to fulfil its social responsibility.

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and employees for their efforts and dedication during the first half of 2020, and to our shareholders, investors and business partners for their support and trust.

Mr. Zhang Bo

Chairman of the Board

21 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The first half of 2020 was a time full of both challenges and opportunities for aluminum manufacturers in China. The adverse impacts of the Pandemic led to a weak growth momentum to the global economy and the overall aluminium prices showed a downward trend as compared with the same period in 2019. In the first half of 2020, the average price of three-month aluminum futures at the London Metal Exchange was approximately US\$1,622/ton, representing a year-on-year decrease of approximately 12.3%. In the same period, the average price of three-month aluminum futures at the Shanghai Futures Exchange was approximately RMB12,980/ton (VAT inclusive), representing a year-on-year decrease of approximately 5.8% (Data source: Beijing Antaika Information Co., Ltd. (“Antaika”)).

From the perspective of the domestic market environment, although the multiple impacts of both domestic and overseas markets created a challenging operation environment in the first half of 2020, benefited from the successful measures of the Pandemic prevention and control in China and also the increase in counter-cyclical adjustment efforts implemented by the PRC government, the economy sustained a recovery and the demand for aluminum among traditional terminal industries gradually rebounded. At the same time, “New Infrastructure” was included in the government work report, signaling a continued support of the PRC government in investing in infrastructure construction, the industrialisation and urbanization in China are rapidly advancing and the usage of aluminum materials is continuously expanding. These factors have become a strong driver for the increase in the domestic consumption to support the continuous demand of aluminum products.

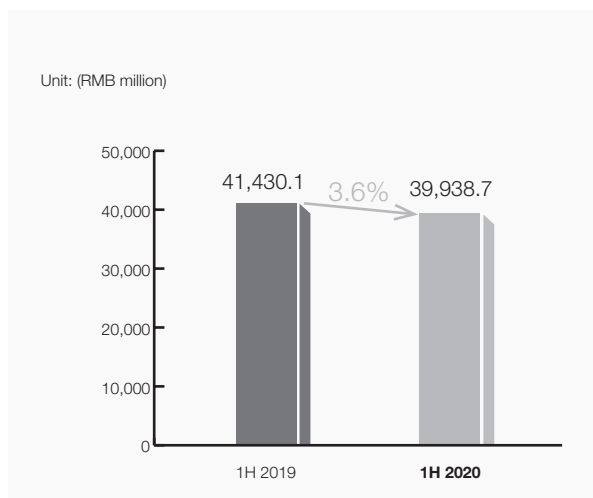
According to statistics from Antaika, the global production volume of primary aluminum in the first half of 2020 was approximately 32.05 million tons, representing a year-on-year increase of approximately 0.8%. Global consumption of primary aluminum in the first half of 2020 was approximately 29.67 million tons, representing a year-on-year decrease of approximately 10.1%. For the domestic market, the production volume of primary aluminum in China during the first half of 2020 was approximately 18.15 million tons, representing a year-on-year increase of approximately 1.5% and accounting for approximately 56.6% of global production volume. Consumption of primary aluminum in China during the first half of 2020 was approximately 17.67 million tons, representing a year-on-year decrease of approximately 2.7% and accounting for approximately 59.6% of global primary aluminum consumption.

BUSINESS REVIEW

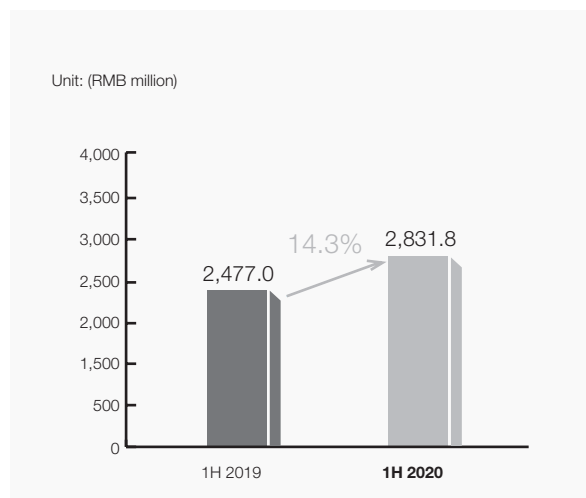
During the Period, the Group's total output of aluminum alloy products amounted to approximately 2.741 million tons, representing a year-on-year decrease of approximately 4.1%, mainly because the Group relocated some production equipment to the Yunnan green aluminum innovation industrial park according to the capacity re-location program (the "Capacity Re-location Program"), resulting in a decrease in capacity utilization. The production volume of aluminum fabrication products reached approximately 301,000 tons, which was fairly stable as compared with the corresponding period of last year.

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2020 and for the same period of 2019 together with comparison figures are as follows:

Revenue (Unaudited)



Net profit attributable to owners of the Company (Unaudited)



The Group's revenue for the six months ended 30 June 2020 decreased by approximately 3.6% to approximately RMB39,938,675,000 as compared with the corresponding period of last year, mainly due to the decrease in the selling price of aluminum alloy products during the Period as compared with the same period of last year, and the Group's implementation of the Capacity Re-location Program, resulting in a slight decrease in the output and sales volume of aluminum alloy products as compared with the same period of last year.

For the six months ended 30 June 2020, net profit attributable to owners of the Company amounted to approximately RMB2,831,849,000, representing a year-on-year increase of approximately 14.3%, mainly due to the decrease in impairment losses and the reduction in financial expenses of the Group during the Period, resulting in an increase in the net profit.

FINANCIAL REVIEW

The following table shows the breakdown of revenue by products for the six months ended 30 June 2020 and for the same period of 2019:

Products	For the six months ended 30 June			
	2020		2019	
	Revenue <i>RMB'000</i>	Proportion of sales revenue to total revenue %	Revenue <i>RMB'000</i>	Proportion of sales revenue to total revenue %
Aluminum alloy products	29,042,311	72.7	30,428,125	73.4
Alumina	6,391,488	16.0	6,157,040	14.9
Aluminum fabrication products	4,134,386	10.4	4,466,496	10.8
Steam	370,490	0.9	378,399	0.9
Total	39,938,675	100.0	41,430,060	100.0

The Group's revenue derived from aluminum alloy products for the six months ended 30 June 2020 was approximately RMB29,042,311,000, accounting for approximately 72.7% of the total revenue and representing a decrease of approximately 4.6% from approximately RMB30,428,125,000 for the same period of last year, mainly due to the price of the Group's aluminum alloy products of approximately RMB11,538/ton (VAT exclusive) during the Period, representing a decrease of approximately 4.0% from approximately RMB12,016/ton (VAT exclusive) for the same period of last year; the revenue of alumina products reached approximately RMB6,391,488,000, accounting for approximately 16.0% of the total revenue and representing an increase of approximately 3.8% as compared with approximately RMB6,157,040,000 for the same period of last year. The increase in the revenue of alumina products was mainly because the Group seized the opportunities to develop the domestic product market under the premise of satisfying self-consumption alumina, resulting in an increase in the revenue of alumina products. The revenue derived from aluminum fabrication products amounted to approximately RMB4,134,386,000, accounting for approximately 10.4% of the total revenue and which was fairly flat as compared with the same period last year.

Distribution and selling expenses

For the six months ended 30 June 2020, the Group's distribution and selling expenses were approximately RMB152,559,000, representing a decrease of approximately 47.7% as compared with approximately RMB291,648,000 for the corresponding period of last year, which was mainly due to the increase in the proportion of self-pickup alumina products in the sales contracts of alumina products signed by the Group, resulting in a corresponding decrease in the transportation costs.

Administrative expenses

For the six months ended 30 June 2020, the administrative expenses of the Group amounted to approximately RMB1,858,407,000, representing an increase of approximately 19.4% as compared to approximately RMB1,556,076,000 for the corresponding period of last year, which was mainly due to the increase in the maintenance expenses of some production lines and the increase in the exchange losses during the Period.

Finance costs

For the six months ended 30 June 2020, the finance costs of the Group were approximately RMB2,210,955,000, representing a decrease of approximately 24.4% as compared with approximately RMB2,923,576,000 for the corresponding period of last year, which was mainly due to the repayment of part of the medium-term notes and bonds by the Group in 2019, resulting in a decrease in the interest expenses paid during the Period.

Liquidity and financial resources

As at 30 June 2020, the cash and cash equivalents of the Group were approximately RMB41,079,476,000, representing a decrease of approximately 1.9% as compared with approximately RMB41,857,116,000 as at 31 December 2019. The decrease in cash and cash equivalents was mainly due to the net cash outflows for investment activities and financing activities of the Group.

For the six months ended 30 June 2020, the Group had a net cash inflow from operating activities of approximately RMB4,335,396,000, a net cash outflow for investing activities of approximately RMB2,175,666,000 and a net cash outflow for financing activities of approximately RMB2,947,654,000. The net cash outflow for investing activities was mainly the cash outflow for acquiring property, plant and equipment. The net cash outflow for financing activities was mainly the cash outflow for the payment of dividends and debt interest by the Group during the Period.

For the six months ended 30 June 2020, the capital expenditure of the Group amounted to approximately RMB2,658,084,000, mainly for the payment for the quality guarantee deposits of the pre-construction projects in accordance with relevant contracts and the construction expenditure of the Yunnan green aluminum innovation industrial park project, lightweight material base construction and the Indonesia alumina project.

As at 30 June 2020, the Group had capital commitment of approximately RMB2,413,124,000, representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the construction expenditure of the Yunnan green aluminum innovation industrial park project, lightweight material base construction and the Indonesia alumina project.

As at 30 June 2020, the Group's trade receivables amounted to approximately RMB9,491,923,000, representing a decrease of approximately 7.9% from approximately RMB10,311,326,000 as of 31 December 2019, mainly due to the Group's enhancement of the contract management of trade receivables and the decrease in the trade receivables for aluminum fabrication products.

As at 30 June 2020, the Group's inventory was approximately RMB21,335,966,000, which was little changed from the inventory of approximately RMB21,846,922,000 as at 31 December 2019.

Income tax

The Group's income tax for the first half of 2020 amounted to approximately RMB595,591,000, representing a decrease of approximately 45.8% as compared with approximately RMB1,099,670,000 for the corresponding period of last year, mainly attributable to the compensation for the previously compensable losses of certain subsidiaries and the provision for deferred income tax assets during the Period.

Net profit attributable to owners of the Company and earnings per share

For the six months ended 30 June 2020, the net profit attributable to owners of the Company was approximately RMB2,831,849,000, representing an increase of approximately 14.3% as compared with approximately RMB2,477,037,000 for the corresponding period of last year.

During the Period, the basic earnings per share of the Company were approximately RMB0.330 (corresponding period of 2019: approximately RMB0.287).

Interim dividend and closure of register of members

On 21 August 2020, the Board resolved to declare an interim dividend of HK15.0 cents per share for the six months ended 30 June 2020, payable to the shareholders whose names appear on the register of members of the Company on 13 November 2020. For the purpose of determining the identity of the shareholders who are entitled to the interim dividend, the register of members of the Company will be closed from 9 November 2020 to 13 November 2020 (both days inclusive) during which period no transfer of shares will be effected. The interim dividend is expected to be paid on 27 November 2020.

In order to determine the identity of the shareholders who are entitled to the interim dividend, all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 6 November 2020.

Capital structure

The Group has established an appropriate liquidity risk management framework to secure its short, medium and long-term funding supply and to satisfy its liquidity requirements. As at 30 June 2020, the cash and cash equivalents of the Group amounted to approximately RMB41,079,476,000 (31 December 2019: approximately RMB41,857,116,000), which were mainly saved in commercial banks. Such level of cash and cash equivalents would facilitate in ensuring stable operation and flexibility of the Group's business. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources to satisfy the business need and maintain a good and stable financial position.

As at 30 June 2020, the total liabilities of the Group amounted to approximately RMB107,474,333,000 (31 December 2019: approximately RMB113,588,469,000). Gearing ratio of the Group (total liabilities to total assets) was approximately 61.8% (31 December 2019: approximately 63.2%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use asset as collateral for bank borrowings to provide a portion of funding for its daily business operation and project construction. As at 30 June 2020, the Group had secured bank borrowings of approximately RMB8,533,852,000 (31 December 2019: approximately RMB8,748,738,000).

As at 30 June 2020, the Group's total bank borrowings were approximately RMB34,579,770,000. The Group maintained a balanced portfolio of debts at fixed interest rates and variable interest rates to manage its interest expenses. As at 30 June 2020, approximately 36.0% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 64.0% were subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 30 June 2020, debts except bank borrowings of the Group included approximately RMB1,413,244,000 of other borrowings, approximately RMB39,953,025,000 of medium-term notes and bonds, approximately RMB3,514,105,000 of guaranteed notes as well as approximately RMB1,430,935,000 of convertible bonds with interest rates ranging from 3.84% to 8.69%. Such other borrowings and the issuance of such notes and bonds helped to optimise the Group's debt structure and reduce its financial costs.

As at 30 June 2020, the Group had net current assets of approximately RMB13,983,818,000. The Group will continue to develop other financing channels to optimise the structure of debts. In addition, the Group will sustain its existing production capacity advantage, control its production costs, enhance its profitability and improve its cash flow position in order to maintain the adequate liquidity of the Group.

As at 30 June 2020, the Group's liabilities were mainly denominated in RMB and US\$, among which, RMB liabilities accounted for approximately 85.9% of the total liabilities, and US\$ liabilities accounted for approximately 14.1% of the total liabilities; cash and cash equivalents were mainly held in RMB and US\$, of which approximately 97.9% was held in RMB and approximately 1.9% was held in US\$.

Employee and remuneration policy

As at 30 June 2020, the Group had a total number of 43,899 employees. During the Period, the total staff costs of the Group amounted to approximately RMB1,584,886,000, representing approximately 4.0% of its total revenue. The remuneration packages of the employees include salaries and various types of benefits. In addition, the Group established a performance-based remuneration system under which the employees may be awarded by additional bonuses. The Group provided training programs for employees to equip them with the requisite skills and knowledge.

Exposure to foreign exchange risk

The Group collected most of the revenue in RMB and funded most of the expenditure in RMB. Due to the importation of bauxite and production equipment, and as certain bank balances, bank borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is exposed to certain currency risks. As at 30 June 2020, the Group's bank balances denominated in foreign currencies were approximately RMB879,729,000 and its liabilities denominated in foreign currencies were approximately RMB11,388,346,000. For the six months ended 30 June 2020, the Group recognised foreign exchange loss of approximately RMB198,467,000.

Contingent liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

Up to the date of this announcement, there were no important events affecting the Group that have occurred since 30 June 2020.

FUTURE PROSPECT

Looking ahead to the second half of 2020, it is expected that the global economic growth will remain sluggish. The Pandemic has brought significant impact on global industrial production, investment and consumption, and at the same time, it will also give a transformative impact on the global supply chain system. It is expected that the aluminum industry will face greater challenges and opportunities.

Relying on the existing layout of the entire industrial chain, the Group extends to the downstream of the industrial chain and develops high value-added new material products in order to achieve high-quality development of the Group. For debt structure, the Group will continue to optimize its financial structure and maintain a steady cash flow to further reduce the impact of market fluctuations on the Group. For clean energy utilization, on the one hand, the Group will actively respond to the national “Lucid Waters and Lush Mountains” environmental protection strategy, and orderly promote the construction of the Yunnan green aluminum innovation industrial park; on the other hand, the Group will continue to increase investment in energy conservation and environmental protection, use a variety of clean energy sources, and gradually increase the proportion of clean energy consumption. For circular economy, the Group is committed to establishing a secondary aluminum recycling industry to realize the recovery, regeneration and reuse of scrap aluminum with ultra-low energy consumption, ultra-low emissions and lower costs. Finally, the Group will continue to promote innovative development and accelerate smart manufacturing in order to achieve green and intelligent production and management of the Group.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as it is known to the Directors and the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/type of interest	Total number of shares held	Approximate percentage of the total issued share capital as at 30 June 2020 (%)
Shipping Prosperity Private Trust Company ⁽¹⁾	Trustee	6,076,513,573 (L)	70.90
China Hongqiao Holdings Limited ⁽¹⁾ ("Hongqiao Holdings")	Beneficial owner	6,076,513,573 (L)	70.90
CTI Capital Management Limited ⁽²⁾	Beneficial owner	806,640,670 (L)	9.41
CNCB (Hong Kong) Investment Limited ⁽²⁾	Beneficial owner	70,544,156 (L)	0.82
CITIC Limited ⁽²⁾	Interest of a controlled corporation	877,184,826 (L)	10.23
CITIC Group Corporation ⁽²⁾	Interest of a controlled corporation	877,184,826 (L)	10.23

(L) denotes long position

Notes:

- (1) Shipping Prosperity Private Trust Company held 100% interest in Hongqiao Holdings as trustee.
- (2) CITIC Group Corporation held 100% interest in CITIC Polaris Limited, which held 32.53% interest in CITIC Limited, and CITIC Group Corporation also held 100% interest in CITIC Glory Limited, which held 25.60% interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% interest in CITIC Limited. CITIC Limited held 100% interest in CITIC Corporation Limited. CITIC Corporation Limited held 82.26% interest in CITIC Trust Co., Ltd. and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 17.74% interest in CITIC Trust Co., Ltd. Thus CITIC Corporation Limited directly and indirectly held 100% interest in CITIC Trust Co., Ltd. CITIC Trust Co., Ltd held 100% interest in CTI Capital Management Limited, and thus CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CTI Capital Management Limited under the SFO.

CITIC Limited held 65.97% interest in China CITIC Bank Corporation Limited, which held 99.05% interest in CNCB (Hong Kong) Investment Limited and 100% interest in CITIC International Financial Holdings Limited, which held 75% interest in China CITIC Bank International Limited, which in turn held 0.95% in CNCB (Hong Kong) Investment Limited, thus China CITIC Bank Corporation Limited directly and indirectly held 99.7625% interest in CNCB (Hong Kong) Investment Limited. Thus, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CNCB (Hong Kong) Investment Limited under the SFO.

Save as disclosed above, as at 30 June 2020, so far as it is known to the Directors and the chief executive of the Company, there was no any other person (other than the Directors or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be recorded in the register required to be kept by the Company under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Total number of shares held	Approximate percentage in the total issued share capital as at 30 June 2020 (%)
Mr. ZHANG Bo	Beneficial owner	8,870,000 (L)	0.10

Save as disclosed above, as at 30 June 2020, there was no any other Directors or chief executive of the Company or any of their spouse or children under the age of 18 who had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or to be recorded in the register required to be kept by the Company under section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2020 and up to the date of this announcement, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the shares in, or debentures of, the Company or any other body corporate or had exercised any such right.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 21 August 2020 to review the interim results and unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020. The Audit Committee considers that the interim financial results of the Group for the six months ended 30 June 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020 and up to the date of this announcement.

ADJUSTMENT OF PRINCIPAL AMOUNT AND CONVERSION PRICE OF 5.0% CONVERTIBLE BONDS DUE 2022

On 28 November 2017, the Company successfully issued the convertible bonds of the Company with an initial principal amount of US\$320,000,000 to CNCB (Hong Kong) Investment Limited under the convertible bonds specific mandate with an initial conversion price (subject to adjustment) of HK\$8.16. The net proceeds of the convertible bonds placing were approximately US\$316,800,000 which the Company has fully utilised for the uses as described in the announcement of the Company dated 15 August 2017. Please refer to the announcement of the Company dated 15 August 2017, the circular dated 2 November 2017, the poll results announcement dated 20 November 2017 and the announcement dated 28 November 2017, respectively, for details.

On 25 January 2018, CNCB (Hong Kong) Investment Limited converted the convertible bonds for 23% of the initial principal amount held by it into 70,544,156 shares of the Company at the initial conversion price of HK\$8.16 per share. Please refer to the announcement of the Company dated 15 August 2017 and the next day disclosure return dated 25 January 2018, respectively, for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2016 and a special dividend, the conversion price per share was adjusted from HK\$8.16 to HK\$7.71 effective from 7 February 2018. Please refer to the announcement of the Company dated 7 February 2018 for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2017, the conversion price per share was adjusted from HK\$7.71 to HK\$7.53 effective from 12 June 2018. Please refer to the announcement of the Company dated 13 July 2018 for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2018, the conversion price per share was adjusted from HK\$ 7.53 to HK\$ 7.21 effective from 17 June 2019. Please refer to the announcement of the Company dated 17 June 2019 for details.

Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2019, the conversion price per share was adjusted from HK\$7.21 to HK\$6.51 effective from 15 June 2020. Please refer to the announcement of the Company dated 15 June 2020 for details.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiry of all the Directors, the Company confirmed that each of the Directors has complied with the required standards set out in the Model Code and the code of conduct of the Company regarding directors' securities transactions throughout the six months ended 30 June 2020 and up to the date of this announcement.

COMPLIANCE WITH THE CG CODE

The Company has applied the principles as set out in the CG Code. For the six months ended 30 June 2020, the Company has complied with the code provisions as set out in the CG Code, except for the following deviation:

Mr. Zhang Bo, the chief executive officer of the Company, also serves as the chairman of the Board. Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and not be performed by the same individual. However, taking into consideration the abundant management experience and industry knowledge of Mr. Zhang Bo and the fact that he is very familiar with the business of the Group, the Board believes that it is beneficial to the continuous and stable development of the Group for Mr. Zhang Bo to serve as both the chairman of the Board and the chief executive officer of the Company. Furthermore, the members of the Board also include qualified professionals and experienced individuals. The Board considers the current composition of the Board can ensure a balance of power and authority with the support of the Board committees and the vice chairman of the Board.

Save as disclosed above, there was no non-compliance of other code provisions as set out in the CG Code by the Company during the six months ended 30 June 2020.

DISCLOSURE OF INFORMATION ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The electronic version of this results announcement will be available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongqiaochina.com. The printed version of the interim report will be dispatched to the shareholders on or before 25 September 2020.

By order of the Board
China Hongqiao Group Limited
Mr. Zhang Bo
Chairman

Shandong, the PRC
21 August 2020

As at the date of this announcement, the Board comprises nine Directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang and Ms. Zhang Ruilian as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei and Mr. Chen Yisong (Mr. Zhang Hao as his alternate) as non-executive Directors, and Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive Directors.