



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

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

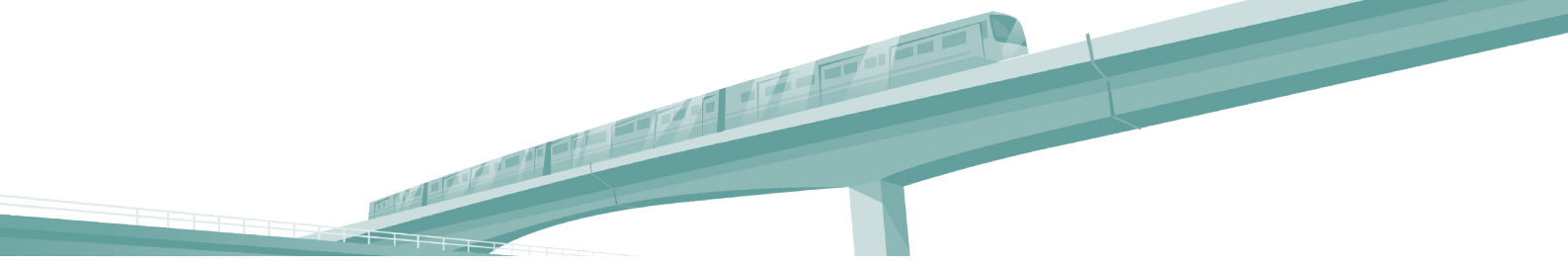
Interim Report

2020



Contents

Corporate Information	2
Financial Highlights	4
Chairman's Statement	5
Management Discussion and Analysis	7
Supplementary Information	16
Report on Review of Interim Condensed Consolidated Financial Information	21
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	22
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	23
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	25
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)	26
Notes to the Interim Condensed Consolidated Financial Information (Unaudited)	28



Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Bo (*Chairman, Chief Executive Officer*)
Ms. Zheng Shuliang (*Vice Chairman*)
Ms. Zhang Ruilian (*Vice President, Chief Financial Officer*)

NON-EXECUTIVE DIRECTORS

Mr. Yang Congsen
Mr. Zhang Jinglei
Mr. Chen Yisong (*Mr. Zhang Hao as his alternate*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xing Jian
Mr. Han Benwen
Mr. Dong Xinyi

CHIEF FINANCIAL OFFICER

Ms. Zhang Ruilian

COMPANY SECRETARY

Ms. Zhang Yuexia

AUDIT COMMITTEE

Mr. Han Benwen (*Committee Chairman*)
Mr. Xing Jian
Mr. Dong Xinyi

NOMINATION COMMITTEE

Mr. Xing Jian (*Committee Chairman*)
Mr. Zhang Bo
Mr. Han Benwen

REMUNERATION COMMITTEE

Mr. Han Benwen (*Committee Chairman*)
Mr. Zhang Bo
Mr. Xing Jian

AUTHORISED REPRESENTATIVES

Mr. Zhang Bo
Ms. Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

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Central
Hong Kong

HEAD OFFICE IN THE PRC

Huixian One Road
Zouping Economic Development District
Zouping City
Shandong Province
The PRC

CAYMAN ISLANDS REGISTERED OFFICE

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Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman, KY1-1205
Cayman Islands

Corporate Information

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
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Grand Cayman KY1-1110
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INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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STOCK CODE

1378.HK

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 30 JUNE 2020

8,570,852,349

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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Causeway Bay, Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDAR

Interim Results Announcement Date
21 August 2020

COMPANY WEBSITE

www.hongqiaochina.com

EXPECTED DATE OF INTERIM DIVIDEND PAYMENT

27 November 2020



Financial Highlights

(Unaudited financial data prepared in accordance with the IAS)

For the six months ended 30 June

(RMB'000)

	2020	2019	Change
Revenue	39,938,675	41,430,060	-3.6%
Gross profit	6,468,399	7,642,526	-15.4%
Gross profit margin (%)	16.2	18.4	-2.2 p.p
Net profit margin (%)	7.0	6.7	+0.3 p.p
Net profit attributable to owners of the Company	2,831,849	2,477,037	+14.3%
Basic earnings per share (RMB)	0.330	0.287	+15.0%

As at 30 June

(RMB'000)

	2020	2019	Change
Cash and cash equivalents	41,079,476	25,725,201	+59.7%
Total capital (total equity + total debt)	147,367,171	141,351,002	+4.3%
EBITDA/Interest coverage ratio	4.2	3.7	+0.5 times
Debt/EBITDA (times)	4.4	3.6	+0.8 times
Debt/Total capital (%)	54.9	55.5	-0.6 p.p
Accounts receivable turnover (days)	45	37	+8 days
Accounts payable turnover (days)	73	70	+3 days
Inventory turnover (days)	116	111	+5 days

Chairman's Statement

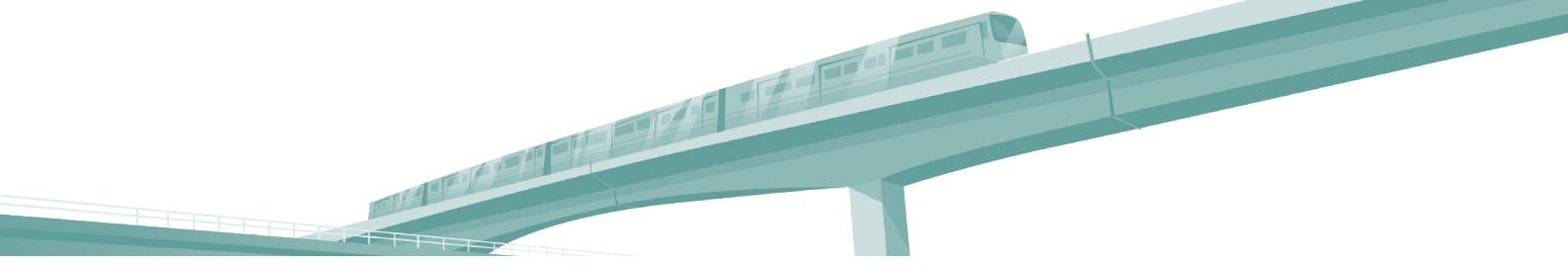
To all shareholders,

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).



Chairman's Statement

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

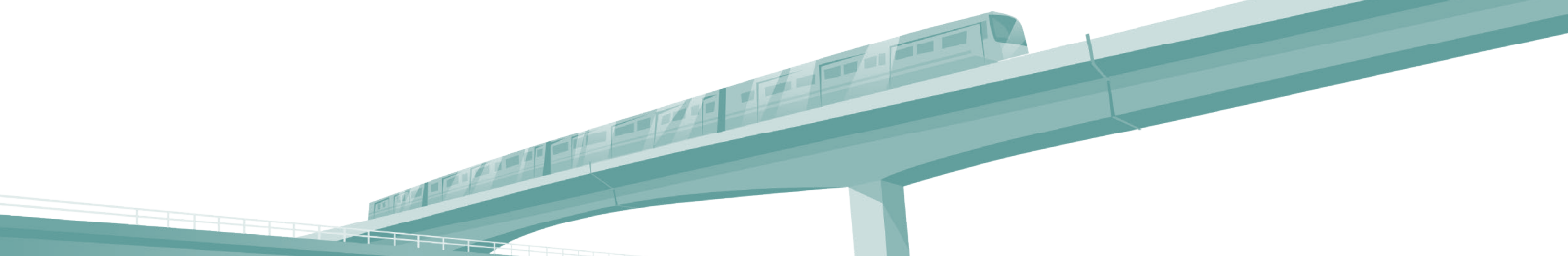
Management Discussion and Analysis

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 Antaike Information Co., Ltd. ("Antaike")).

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 Antaike, 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.



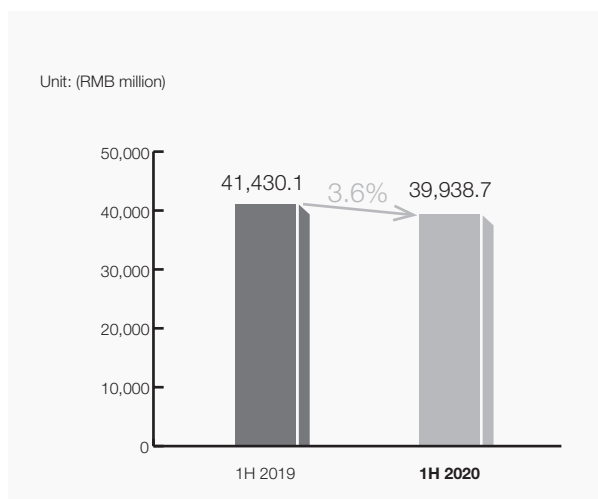
Management Discussion and Analysis

BUSINESS REVIEW

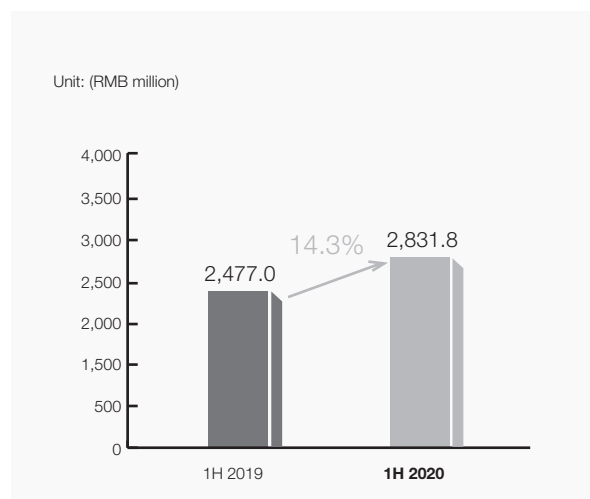
During the Period, the Group's total output of aluminum alloy products amounted to approximately 2.741 million tons, representing a year-on-year decrease of approximately 4.1%, mainly because the Group relocated some production equipment to the Yunnan green aluminum innovation industrial park according 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.

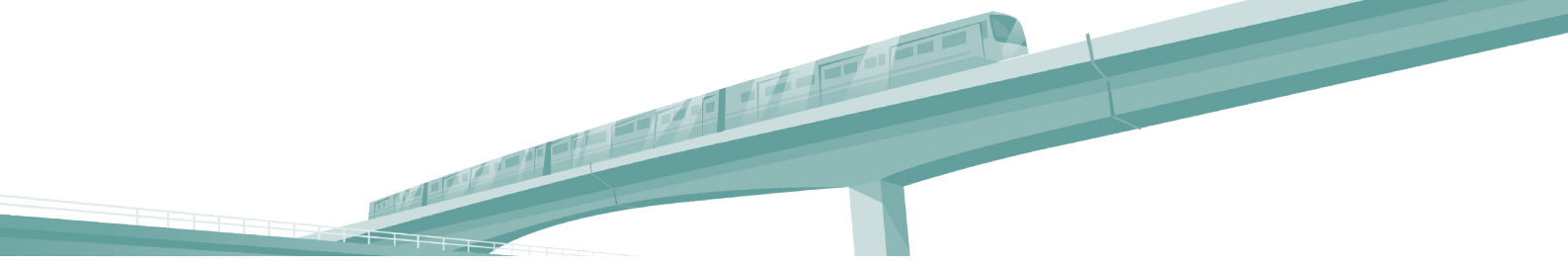
Management Discussion and Analysis

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 RMB'000	Proportion of sales revenue to total revenue %	Revenue RMB'000	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.



Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

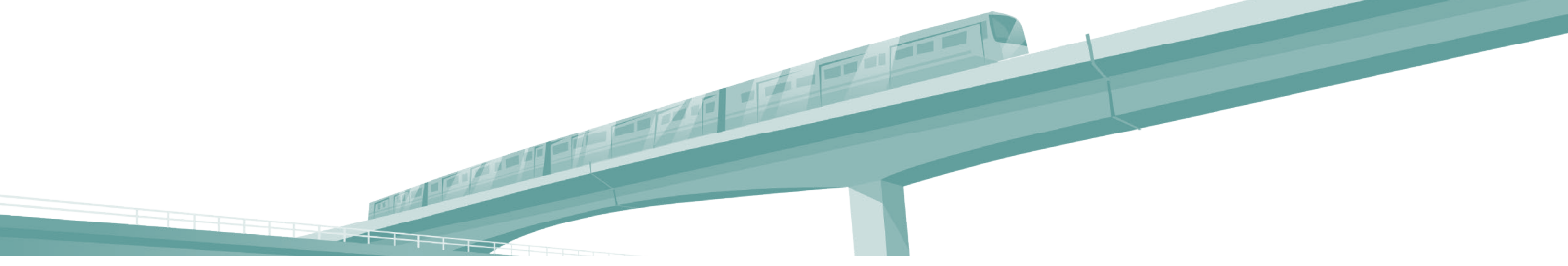
Income tax

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).



Management Discussion and Analysis

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.

Management Discussion and Analysis

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\$.

Pledged assets

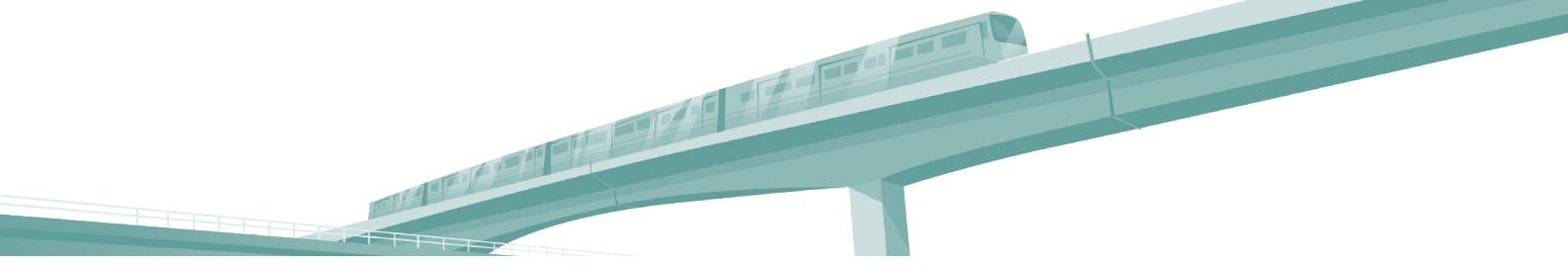
Details of pledged assets of the Group are set out in Note 36 to the unaudited interim condensed consolidated financial information.

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.



Management Discussion and Analysis

Contingent liabilities

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

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 18 March 2020, Zouping County Hongxu Thermal Power Co., Ltd. (鄒平縣宏旭熱電有限公司), an indirect wholly-owned subsidiary of the Company, entered into an assets transfer agreement with Shandong Guoxu New Energy Co., Ltd. (山東國旭新能源有限公司), pursuant to which Zouping County Hongxu Thermal Power Co., Ltd. (鄒平縣宏旭熱電有限公司) conditionally agreed to sell and Shandong Guoxu New Energy Co., Ltd. (山東國旭新能源有限公司) conditionally agreed to purchase the power units with an aggregate installed capacity of 1,320 MW and other relevant ancillary assets, together with all the rights and obligations attached or in relation thereto, at a total consideration of RMB3,000,000,000. Relevant details are set out in the announcement of the Company dated 18 March 2020.

Save as disclosed above, during the six months ended 30 June 2020, the Company did not have other material acquisitions or disposals of subsidiaries, associates or joint ventures.

Significant investments held

During the six months ended 30 June 2020, the Group did not hold any significant investment which had significant impact on the Group's overall operation.

Future plans for material investments or capital assets

During the six months ended 30 June 2020 and as of the date of this interim report, there was no future plan approved by the Group for any material investments or capital assets.

EVENTS AFTER THE REPORTING PERIOD

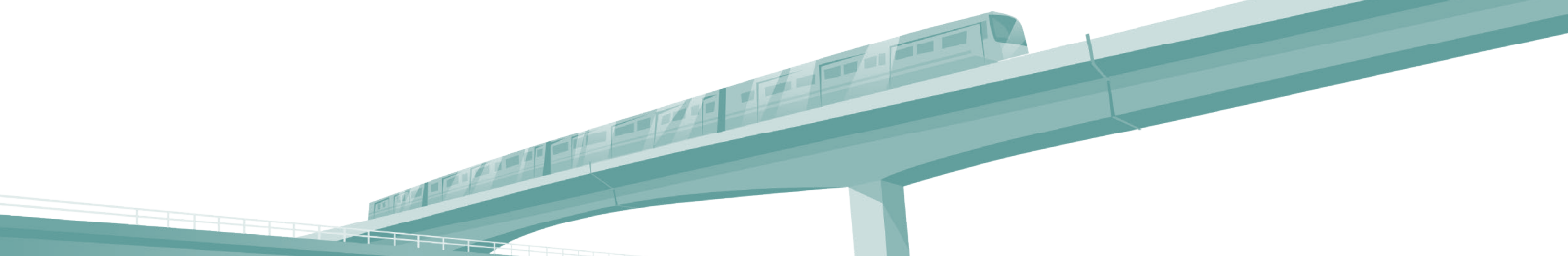
Up to the date of this interim report, there were no important events affecting the Group that have occurred since 30 June 2020.

Management Discussion and Analysis

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.



Supplementary Information

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 (%)
Shiping 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

Supplementary Information

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.

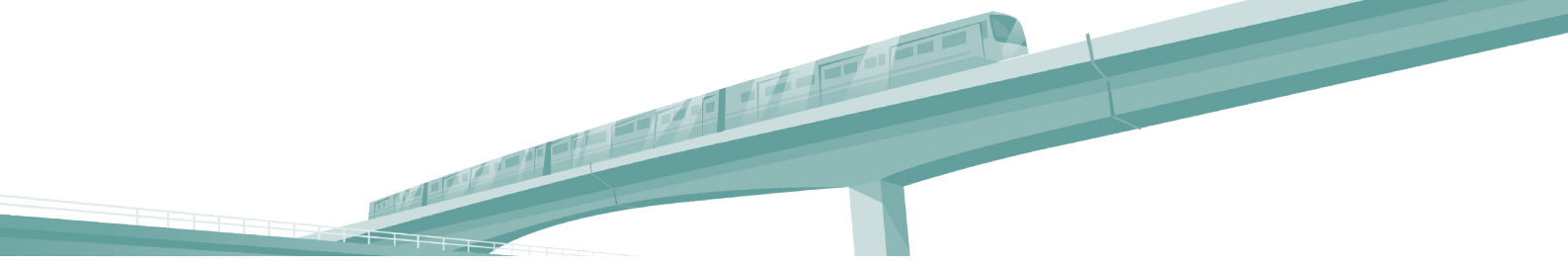
Save as disclosed above, as at 30 June 2020, so far as it is known to the Directors and the chief executive of the Company, there was no any other person (other than the Directors or the chief executive of the Company) who had any interests or short positions in the shares or underlying shares of the 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



Supplementary Information

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 interim report, 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 interim report.

Supplementary Information

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.

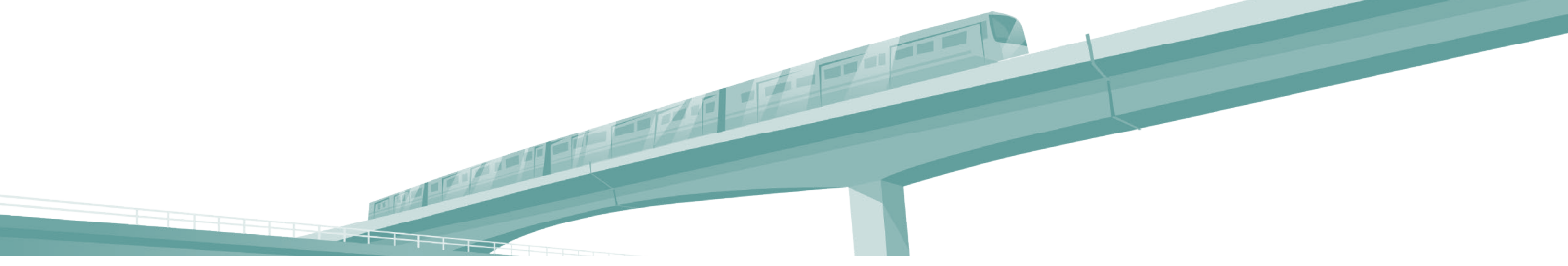
Pursuant to the terms and conditions of the convertible bonds, as the Company declared the payment of the final dividend for the year of 2017, the conversion price per share was adjusted from HK\$7.71 to HK\$7.53 effective from 12 June 2018. Please refer to the announcement of the Company dated 13 July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

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Mr. Zhang Bo, an executive Director and the chief executive officer of the Company, was appointed as the chairman of Binzhou Entrepreneurs Association on 15 January 2020. He has ceased to serve as the vice chairman of the International Aluminum Institute since August 2020, has ceased to serve as the chairman of Binzhou Aluminum Industry Association since 20 August 2020, and was appointed as the honorary chairman of Binzhou Aluminum Industry Association on 20 August 2020.



Supplementary Information

Mr. Dong Xinyi, an independent non-executive Director, has ceased to be a supervisor of Woori Bank (China) Limited (友利銀行(中國)有限公司) since January 2020 and has served as an independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) since January 2020.

Save as disclosed above, during the six months ended 30 June 2020 and up to the date of this interim report, there was no any change in the Directors or chief executive of the Company, and the Company is not aware of any other change in the information of the Directors or chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 interim report.

COMPLIANCE WITH THE CG CODE

The Company has applied the principals as set out in the CG Code. For the six months period 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 interim report 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 this interim report will be dispatched to the shareholders on or before 25 September 2020.

Report on Review of Interim Condensed Consolidated Financial Information



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF CHINA HONGQIAO GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial information of China Hongqiao Group Limited (the “Company”) and its subsidiaries set out on pages 22 to 68, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information are not prepared, in all material respects, in accordance with IAS 34.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

21 August 2020

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (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	5	1,075,567	1,880,232
Selling and distribution expenses		(152,559)	(291,648)
Administrative expenses		(1,858,407)	(1,556,076)
Other expenses	6	(362,421)	(1,221,067)
Finance costs	8	(2,210,955)	(2,923,576)
Changes in fair value of derivatives	22	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	7	(595,591)	(1,099,670)
Profit for the period	8	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
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
Other comprehensive income for the period		81,074	3,245
<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)
Total comprehensive income for the period, net of income tax		2,826,905	2,684,152
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		2,830,989	2,378,777
Non-controlling interests		(4,084)	305,375
		2,826,905	2,684,152
Earnings per share	10		
– Basic (RMB)		0.330	0.287
– Diluted (RMB)		0.325	0.287

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

At 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	66,370,358	71,019,374
Right-of-use assets	12	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	13	5,319,312	4,723,329
Loan to an associate		–	2,000,000
Goodwill	14	509,575	608,818
Financial asset at amortised cost	29	1,000,000	–
Financial asset at fair value through other comprehensive income	15	230,692	289,339
		81,540,616	86,416,230
CURRENT ASSETS			
Inventories	16	21,335,966	21,846,922
Trade receivables	17	9,491,923	10,311,326
Bills receivables	18	8,155,954	11,139,775
Prepayments and other receivables	19	8,753,539	6,075,312
Loan to an associate		2,000,000	–
Financial asset at fair value through profit or loss	30	–	2,005
Other financial asset	31	1,742	819
Income tax recoverable		88,814	–
Restricted bank deposits	20	1,502,395	1,423,967
Cash and cash equivalents	20	41,079,476	41,857,116
		92,409,809	92,657,242
Non-current assets classified as held for sale	21	–	530,973
		92,409,809	93,188,215
CURRENT LIABILITIES			
Trade and bills payables	23	13,025,723	18,215,656
Other payables and accruals		10,645,789	13,379,843
Bank borrowings – due within one year	24	30,748,735	29,054,849
Other borrowing – due within one year	25	1,413,244	1,391,446
Other financial liabilities	31	12,319	3,300
Lease liabilities	12	25,081	28,874
Income tax payable		1,477,255	1,727,235
Medium-term debentures and bonds – due within one year	26	21,057,536	1,495,784
Deferred income		20,309	22,330
		78,425,991	65,319,317

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

At 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
NET CURRENT ASSETS		13,983,818	27,868,898
TOTAL ASSETS LESS CURRENT LIABILITIES		95,524,434	114,285,128
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	24	3,831,035	3,519,628
Lease liabilities	12	51,073	61,859
Liability component of convertible bonds	28	1,241,102	1,150,555
Derivatives component of convertible bonds	28	189,833	279,937
Deferred tax liabilities		713,908	721,545
Medium-term debentures and bonds – due after one year	26	18,895,489	38,529,229
Guaranteed notes	27	3,514,105	3,457,313
Deferred income		611,797	549,086
		29,048,342	48,269,152
NET ASSETS		66,476,092	66,015,976
CAPITAL AND RESERVES			
Share capital	32	559,090	559,090
Reserves	33	62,770,353	62,605,028
Equity attributable to owners of the parent		63,329,443	63,164,118
Non-controlling interests		3,146,649	2,851,858
TOTAL EQUITY		66,476,092	66,015,976

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 33)	Capital reserve RMB'000 (Note 33)	Translation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020 (Audited)	559,090	19,311,652	(686,767)	789,317	273,025	8,214,211	34,703,590	63,164,118	2,851,858	66,015,976
Profit for the period	-	-	-	-	-	-	2,831,849	2,831,849	(27,371)	2,804,478
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(58,647)	-	-	-	-	(58,647)	-	(58,647)
Exchange difference arising on translating foreign operations	-	-	-	-	36,430	-	-	36,430	23,287	59,717
Share of other comprehensive income of associates	-	-	-	-	21,357	-	-	21,357	-	21,357
Total comprehensive (expense) income for the period	-	-	(58,647)	-	57,787	-	2,831,849	2,830,989	(4,084)	2,826,905
Capital contribution	-	-	-	70	-	-	-	70	306,030	306,100
Share of capital reserve of an associate	-	-	-	75	-	-	-	75	-	75
Dividend paid (note 9)	-	-	-	-	-	-	(2,665,809)	(2,665,809)	(7,155)	(2,672,964)
	-	-	-	145	-	-	(2,665,809)	(2,665,664)	298,875	(2,366,789)
At 30 June 2020 (Unaudited)	559,090	19,311,652	(745,414)	789,462	330,812	8,214,211	34,869,630	63,329,443	3,146,649	66,476,092

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 33)	Capital reserve RMB'000 (Note 33)	Translation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (Audited)	566,172	19,829,421	(67,936)	783,942	223,665	7,204,845	31,425,252	59,965,361	2,654,136	62,619,497
Profit for the period	-	-	-	-	-	-	2,477,037	2,477,037	305,666	2,782,703
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(101,796)	-	-	-	-	(101,796)	-	(101,796)
Exchange difference arising on translating foreign operations	-	-	-	-	(455)	-	-	(455)	(291)	(746)
Share of other comprehensive income of associates	-	-	-	-	3,991	-	-	3,991	-	3,991
Total comprehensive (expense) income for the period	-	-	(101,796)	-	3,536	-	2,477,037	2,378,777	305,375	2,684,152
Capital contribution	-	-	-	-	-	-	-	-	9,000	9,000
Shares repurchased and cancelled (note 32)	(7,082)	(517,769)	-	-	-	-	-	(524,851)	-	(524,851)
Dividend paid (note 9)	-	-	-	-	-	-	(1,807,631)	(1,807,631)	(65,404)	(1,873,035)
	(7,082)	(517,769)	-	-	-	-	(1,807,631)	(2,332,482)	(56,404)	(2,388,886)
At 30 June 2019 (Unaudited)	559,090	19,311,652	(169,732)	783,942	227,201	7,204,845	32,094,658	60,011,656	2,903,107	62,914,763

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

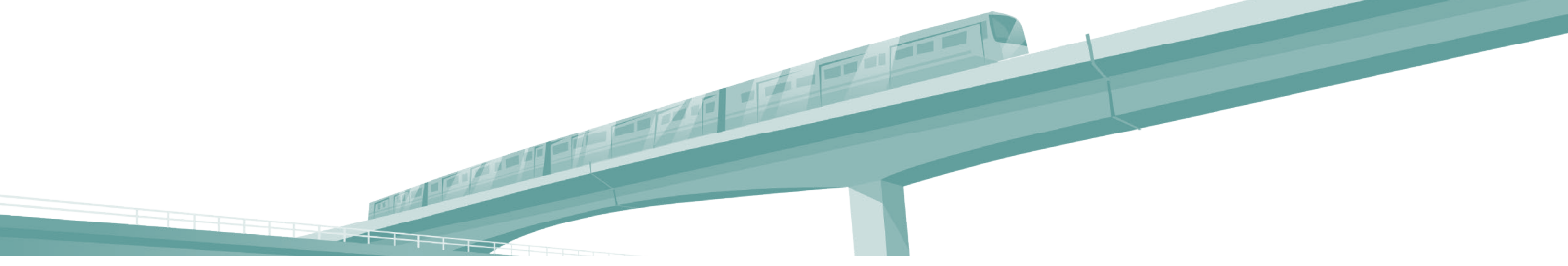
For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash generated from (used in) operations	5,437,090	(3,190,222)
Income tax paid	(1,101,694)	(1,259,337)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	4,335,396	(4,449,559)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	(2,658,084)	(1,789,519)
Advance to an associate	–	(2,000,000)
Proceeds from disposal of property, plant and equipment	705,914	239,314
Proceeds from disposal of investment properties	–	315,590
Proceeds from disposal of right-of-use assets	42,021	–
Addition to intangible assets	(1,008)	(1,757)
Addition to right-of-use assets	(216,069)	(1,515)
Redemption of investment trust	2,005	–
Net cash outflow arising from acquisition of a subsidiary	–	(27,900)
Proceed from prior year disposal of a subsidiary	–	590,000
Addition of an associate	–	(2,250,000)
Capital injection to associates	(185,642)	–
Interest received	269,125	100,037
Placement of restricted bank deposits	(1,315,257)	(1,336,121)
Repayment on prior year acquisition of a subsidiary	(55,500)	–
Withdrawal of restricted bank deposits	1,236,829	1,091,804
NET CASH USED IN INVESTING ACTIVITIES	(2,175,666)	(5,070,067)

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Dividends paid	(2,672,964)	(1,873,029)
Payment on repurchases of shares of the Company	–	(524,851)
Payment of lease liabilities	(14,454)	(8,270)
Proceeds from issuance of medium-term debentures and bonds	–	2,000,000
Repayment of short-term debentures and notes	–	(4,000,000)
Repayment of medium-term debentures	–	(1,758,000)
Transaction costs on issuance of medium-term debentures and notes	–	(23,600)
Repayment of guaranteed notes	–	(3,076,901)
New bank borrowings	15,188,560	10,229,338
Repayment of bank borrowings	(13,212,325)	(8,819,321)
Interest paid	(2,640,626)	(2,310,956)
Receipt of government grants	104,155	19,263
Contribution from non-controlling interests	300,000	9,000
NET CASH USED IN FINANCING ACTIVITIES	(2,947,654)	(10,137,327)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(787,924)	(19,656,953)
Effect of changes in foreign exchange rates	10,284	1,741
CASH AND CASH EQUIVALENTS AT 1 JANUARY	41,857,116	45,380,413
CASH AND CASH EQUIVALENTS AT 30 JUNE		
represented by bank balances and cash	41,079,476	25,725,201



Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

China Hongqiao Group Limited (the “Company”) is 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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

4. REVENUE

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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 RMB'000 (Unaudited)	2019 RMB'000 (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
Total	39,938,675	41,430,060
<i>Type of customers</i>		
Government related	281	1,114
Non-government related	39,938,394	41,428,946
Total	39,938,675	41,430,060
<i>Sales channels</i>		
Direct sales	39,938,675	41,430,060

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Amortisation of deferred income	43,465	9,584
Bank interest income	55,582	44,568
Investment income	33,484	–
Interest income from an associate	75,708	–
Imputed interest on receivables arising from disposal of a subsidiary	–	36,715
Other interest income	115,628	92,168
Rental income for investment properties under operating lease that lease payment are fixed	–	6,207
Gain from sales of raw materials and scraps materials	290,227	176,837
Gain from sales of slag of carbon anode blocks	268,446	427,339
Gain on bargain purchase (note 35)	–	3,282
Gain on disposal of property, plant and equipment	31,012	89,840
Gain on disposal of investment properties	–	241,587
Investment gains from derivatives	–	2,538
Other tax refund	63,849	–
Reversal of impairment of property, plant and equipment	–	658,974
Reversal of impairment of other receivables	–	13,335
Reversal of impairment of inventories	75,098	43,025
Others	23,068	34,233
	1,075,567	1,880,232

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

6. OTHER EXPENSES

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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
	362,421	1,221,067

7. 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 RMB'000 (Unaudited)	2019 RMB'000 (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
	762,512	1,333,182
Over provision in previous years:		
– Hong Kong Profits Tax	–	(6,166)
	–	(6,166)
Deferred taxation	(166,921)	(227,346)
Total income tax expenses	595,591	1,099,670

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest expenses on bank borrowings	824,922	904,049
Interest expenses on other borrowing	47,997	49,171
Interest expenses on short-term debentures and notes	–	46,807
Interest expenses on medium-term debentures and bonds	1,088,809	1,747,337
Interest expenses on guaranteed notes	131,410	73,303
Interest expenses on convertible bonds	116,164	101,367
Interest expenses on lease liabilities	1,653	1,542
Total finance costs	2,210,955	2,923,576
Amortisation of intangible assets	3,114	2,599
Cost of inventories recognised as an expense	33,116,925	33,366,851
Depreciation for property, plant and equipment	3,468,584	3,576,607
Depreciation for investment properties	–	1,121
Depreciation for right-of-use assets	72,046	63,863
Foreign exchange loss	198,467	30,173
Research and development expenses (note)	375,147	327,852
Gross rental income from investment properties	–	6,207
Less: direct operating expenses incurred for investment properties that generated rental income during the period	–	(99)
	–	6,108

Note: Included in research and development expenses was staff cost of approximately RMB63,026,000 (six months ended 30 June 2019: RMB58,618,000).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

9. DIVIDENDS

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

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.

10. 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
	RMB'000	RMB'000
	(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	–
Earnings for the purpose of diluted earnings per share	2,875,965	2,477,037

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

10. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2020 '000 (Unaudited)	2019 '000 (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	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	8,840,521	8,630,209

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.

11. 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).



Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 (note 36).

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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 June 2020, right-of-use assets of approximately RMB5,177,818,000 (31 December 2019: RMB5,061,136,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. During the six months ended 30 June 2020, the Group purchased land use right of approximately RMB216,069,000 located in the PRC and disposed land use right with carrying amount of approximately RMB42,021,000.

As at 30 June 2020, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB947,818,000 (31 December 2019: RMB981,668,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for office premises and factories and crew boats, vessels and crane barges of approximately RMB64,099,000 and RMB12,653,000 (31 December 2019: RMB74,180,000 and RMB17,099,000), respectively. The lease terms are generally ranged from 2 to 20 years.

The depreciation of the Group for the six months ended 30 June 2020 is approximately RMB72,046,000 (six months ended 30 June 2019: RMB63,863,000).

At 30 June 2020, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB297,308,000 (31 December 2019: RMB300,980,000) were pledged to secure bank borrowings of the Group (note 36).

(ii) Lease liabilities

As at 30 June 2020, the carrying amount of lease liabilities was approximately RMB76,154,000 (31 December 2019: RMB90,733,000).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(iii) Amount recognised in profit or loss

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation of right-of-use assets	72,046	63,863
Interest expense on lease liabilities	1,653	1,542
Expense relating to short-term leases	–	160

(iv) Other

During the six months ended 30 June 2020, the total cash outflow for leases amounted to approximately RMB16,107,000 (six months ended 30 June 2019: RMB8,430,000).

13. INTEREST IN ASSOCIATES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Costs of investments in associates	2,618,978	2,433,261
Share of profits and other comprehensive income, net of dividends received	1,921,589	1,522,686
	4,540,567	3,955,947
Loan to an associate	778,745	767,382
	5,319,312	4,723,329

The loan to an associate of US\$110,000,000, equivalent to approximately RMB778,745,000 (31 December 2019: US\$110,000,000) are unsecured, interest-free and repayable after one year.

The Group's payable balances with the associates are disclosed in note 38.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

14. GOODWILL

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost		
At beginning and at the end of the financial period/year	1,934,457	1,934,457
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	99,243	–
At the end of the financial period/year	1,424,882	1,325,639
Carrying amount		
At the end of the financial period/year	509,575	608,818

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.



Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

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

Financial asset at FVTOCI comprise:

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

The fair value of this investment is disclosed in note 34.

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.

16. 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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

17. TRADE RECEIVABLES

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

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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

18. BILLS RECEIVABLES

The ageing analysis of bills receivables presented based on the issue date at the end of the reporting period is as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 3 months	4,492,021	6,343,124
3 to 6 months	3,318,974	4,416,395
Over 6 months	344,959	380,256
	8,155,954	11,139,775

TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets transferred to suppliers by endorsing those bills receivables on a full recourse basis. As the Group has retained the significant risks and rewards which include default risks, relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding trade payables and other payables in the condensed consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the condensed consolidated statement of financial position.

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	8,031,069	11,129,710
Carrying amount of trade payables	(7,327,617)	(10,898,559)
Carrying amount of other payables	(703,452)	(231,151)
Net position	-	-

Note: The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group was still exposed to credit risk on these receivables at the end of the reporting period, the cash received from the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the condensed consolidated statement of financial position.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

19. PREPAYMENTS AND OTHER RECEIVABLES

The balance consists of prepayments and other receivables of:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Prepayments to suppliers	1,129,092	967,864
Prepayment to an associate	3,232,612	2,438,457
Receivables arising from disposal of plant and equipment (note)	2,400,000	–
Receivables arising from disposal of non-current assets classified as held-for-sale (note 21)	400,000	–
Other receivables	1,644,270	2,709,691
	8,805,974	6,116,012
Less: allowance for impairment loss	(52,435)	(40,700)
	8,753,539	6,075,312

Note: On 18 March 2020, the Group has entered into a sales and purchase agreement with an independent third party agreed to dispose a power unit and its related assets and liabilities located in Zouping, at a cash consideration of RMB3,000,000,000. The transaction was completed and part of the consideration of RMB600,000,000 has been received during the six months ended 30 June 2020. The balance in aggregate of RMB2,400,000,000 is guaranteed by the acquirer's wholly-owned subsidiary which also is one of the major suppliers of the Group.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cash and bank balances	41,079,476	41,857,116
Restricted bank deposits	1,502,395	1,423,967
	42,581,871	43,281,083
Less:		
Restricted bank deposits:		
– pledged for bills payables	(1,007,009)	(1,002,928)
– pledged for issuance of letter of credit	(201,611)	(117,472)
– pledged for guarantee issued	(293,775)	(299,060)
– other restricted bank balances	–	(4,507)
Cash and cash equivalents	41,079,476	41,857,116



Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

21. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 1 May 2019, Binzhou City Zhanhua District Huihong New Material Co., Ltd.* 濱州市沾化區匯宏新材料有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to dispose of certain of its construction in process of property, plant and equipment in Binzhou City Zhanhua District, at a consideration of RMB600,000,000. RMB200,000,000 of the consideration was received during the year ended 31 December 2019. The remaining balance of RMB400,000,000 will be received within 2020.

The disposal is expected to be completed within twelve months from the end of 2019 and is therefore classified as assets held for sales in the consolidated statement of financial position for the year ended 31 December 2019. The sales proceeds are expected to exceed the net carrying amounts of the relevant assets and accordingly, no impairment has been recognised. The disposal was negotiated under arm's length basis and approved by the board of directors' of the subsidiary.

During the six months ended 30 June 2020, the disposal was completed and the legal title of the property, plant and equipment has been transferred.

Major classes of assets as at the end of the current interim period are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Property, plant and equipment	–	530,973
Assets classified as held for sale	–	530,973

* The English name of the above company is for reference only

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

22. CHANGES IN FAIR VALUES OF DERIVATIVES

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Changes in fair values arising from:		
– capped forward contract	923	–
– interest rate swaps contracts	(9,019)	54
– derivatives component of convertible bonds (note 28)	94,262	(24,950)
	86,166	(24,896)

23. TRADE AND BILLS PAYABLES

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

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	As at
	30 June 2020	31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(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	37,387	34,252
	10,966,654	16,076,814

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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

24. BANK BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Current		
Secured bank borrowings	8,026,235	8,342,748
Unsecured bank borrowings	22,722,500	20,712,101
	30,748,735	29,054,849
Non-current		
Secured bank borrowings	507,617	405,990
Unsecured bank borrowings	3,323,418	3,113,638
	3,831,035	3,519,628
	34,579,770	32,574,477

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within one year	30,748,735	29,054,849
In the second year	997,808	2,221,874
In the third to fifth years, inclusive	1,527,650	1,297,754
Over fifth years	1,305,577	–
	34,579,770	32,574,477

Fixed-rate borrowings with an aggregate carrying amount of approximately RMB12,452,208,000 (31 December 2019: RMB11,874,602,000) denominated in RMB at interest rate ranged from 2.05% to 6.00% (31 December 2019: 3.40% to 7.00%) per annum as at 30 June 2020.

In addition, the Group has variable-rate borrowings denominated in RMB at floating rates calculated based on the borrowing rates announced by the People's Bank of China (the "PBOC") or China Foreign Exchange Trading System & National Interbank Funding Center ("CFETS"). Interests on borrowings denominated in US\$ at floating rates are calculated based on London Interbank Offered Rate ("LIBOR").

Bank borrowings of approximately RMB299,000,000 (31 December 2019: RMB299,000,000) which are guaranteed by a related party was set out in note 38(c).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

25. OTHER BORROWING

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Other borrowing, unsecured		
Amount shown under current liabilities	1,413,244	1,391,446

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreement):

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within one year	1,413,244	1,391,446

The interest rate of the other borrowing of US\$200,000,000 (31 December 2019: US\$200,000,000) is fixed at 7.50% per annum (31 December 2019: 7.50% per annum).

26. MEDIUM-TERM DEBENTURES AND BONDS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Medium-term debentures and bonds – due within one year	21,057,536	1,495,784
Medium-term debentures and bonds – due after one year	18,895,489	38,529,229
	39,953,025	40,025,013

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

26. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

The details of the medium-term debentures and bonds issued and outstanding as at 30 June 2020 and 31 December 2019 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest rate	Effective interest rate	Date of maturity
Unlisted					
Medium-term debentures A	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures B	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures C	25 October 2016	1,000,000	3.87%	4.21%	16 October 2021
Medium-term debentures D	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.55%	19 January 2022
Medium-term debentures H	2 March 2018	1,000,000	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	1,000,000	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	1,300,000	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	1,000,000	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	1,000,000	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	1,000,000	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	1,000,000	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	500,000	7.47%	7.75%	27 August 2021
Medium-term debentures P	12 July 2019	600,000	7.00%	7.24%	12 July 2022
Listed					
Enterprise bonds A	3 March 2014	1,149,960	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,056,362	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	214	6.26%	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	1,999,950	7.30%	4.33%	14 January 2021
Enterprise bonds E	14 January 2016	1,000,000	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	1,800,000	7.00%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,198,240	6.70%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	6.50%	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	500,000	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	2,000,000	6.30%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	6.00%	6.22%	26 March 2024
Private placement enterprise bond B	15 July 2016	26,000	6.80%	6.75%	15 July 2021

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

26. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

The total medium-term debentures and bonds are repayable as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within one year	21,057,536	1,495,784
In the second to fifth year	18,895,489	38,529,229
	39,953,025	40,025,013

27. GUARANTEED NOTES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liabilities	3,514,105	3,457,313

On 15 July 2019, the Company issued 7.125% guaranteed notes with the aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB2,060,310,000) (the "2022 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will mature on 22 July 2022.

On 24 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US\$200,000,000 (equivalent to approximately RMB1,414,580,000) (the "2023 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will mature on 2 May 2023.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

28. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds (“CBs”) bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US\$320,000,000. The CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK\$8.16 per share with fixed exchange rate of HK\$7.8212 equal to US\$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the date that is three years from 28 November 2017, redeem the outstanding CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component is 21.817% per annum.

The movements of the liability and derivatives components of the CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of CBs	Derivatives component of CBs	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019 (Audited)	1,012,052	415,195	1,427,247
Changes in fair values	–	(140,558)	(140,558)
Effective interest expenses	210,102	–	210,102
Interest paid	(86,755)	–	(86,755)
Exchange translation	15,156	5,300	20,456
As at 31 December 2019 (Audited)	1,150,555	279,937	1,430,492
Changes in fair values	–	(94,262)	(94,262)
Effective interest expenses	116,164	–	116,164
Interest paid	(43,673)	–	(43,673)
Exchange translation	18,056	4,158	22,214
As at 30 June 2020 (Unaudited)	1,241,102	189,833	1,430,935

On 25 January 2018, 70,544,156 ordinary shares of the Company were issued as a result of the conversion of CBs with principal amount of US\$73,600,000. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the six months ended 30 June 2020.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

28. CONVERTIBLE BONDS (CONTINUED)

On 7 February 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK\$8.16 to HK\$7.71 per share and on 12 June 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was further adjusted from HK\$7.71 to HK\$7.53 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 17 June 2019, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK\$7.53 to HK\$7.21 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 15 June 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK\$7.21 to HK\$6.51 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 30 June 2020, the principal amount of the CBs that remained outstanding amounted to US\$246,400,000 (31 December 2019: US\$246,400,000) of which a maximum of 296,028,215 (31 December 2019: 267,287,611) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018, 13 July 2018, 17 June 2019 and 15 June 2020.

At 31 December 2019 and 30 June 2020, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Share price	HK\$3.44	HK\$4.70
Conversion price	HK\$6.51	HK\$7.21
Expected volatility	41.74%	41.71%
Expected life	2.41 years	2.91 years
Risk free rate	0.16%	1.59%
Expected dividend yield	9.43%	4.98%

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

29. FINANCIAL ASSET AT AMORTISED COST

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

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. ("CITIC Trust")* 中信信托有限責任公司. The asset income trust carries fixed interest rate of 7.22% per annum and will be matured on 3 January 2022.

* The English name of the above company is for reference only.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Financial assets at FVTPL		
Collective investment trust	–	2,005

31. OTHER FINANCIAL ASSET/LIABILITIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Other financial asset		
Capped forward contract	1,742	819
Other financial liabilities		
Interest rate swaps contracts	12,319	3,300

Major terms of the capped forward contract are as follows:

As at 30 June 2020 and 31 December 2019

Notional amount	Maturity	Exchange rate
US\$10,000,000	20 July 2022	Buy US\$/Sell RMB at 6.90 to 7.01

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

31. OTHER FINANCIAL ASSET/LIABILITIES (CONTINUED)

Major terms of the interest rate swaps are as follows:

As at 30 June 2020

Notional amount	Maturity	Swaps
US\$14,000,000	9 April 2021	From 0.45% per annum to 1-Month US\$-LIBOR
US\$24,500,000	14 April 2021	From 0.52% per annum to 1-Month US\$-LIBOR
US\$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US\$-LIBOR
US\$20,000,000	14 April 2021	From 3.25% per annum to 1-Month US\$-LIBOR
US\$25,000,000	14 April 2021	From 3.25% per annum to 1-Month US\$-LIBOR

As at 31 December 2019

Notional amount	Maturity	Swaps
US\$20,000,000	14 April 2021	From 3.25% per annum to 1-Month US\$-LIBOR
US\$25,000,000	14 April 2021	From 3.25% per annum to 1-Month US\$-LIBOR

32. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2020	31 December 2019	30 June 2020 US\$	31 December 2019 US\$
Authorised:				
Ordinary shares of US\$0.01 each	10,000,000,000	10,000,000,000	100,000,000	100,000,000
Issued and fully paid:				
Ordinary shares of US\$0.01 each	8,570,852,349	8,570,852,349	85,708,523	85,708,523

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

32. ISSUED CAPITAL (CONTINUED)

	Number of shares	Share Capital RMB'000
Issued and fully paid:		
At 1 January 2019	8,675,394,849	566,172
Shares repurchased and cancelled	(104,542,500)	(7,082)
At 31 December 2019, 1 January 2020 and 30 June 2020	8,570,852,349	559,090

The Company does not have any share option scheme.

All shares issued rank pari passu in all respects with all shares then in issue.

During the year ended 31 December 2019, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US\$0.01 each	Price per share		Aggregate consideration paid HK\$	Share cancelled date
		Highest HK\$	Lowest HK\$		
14-Jan-19	620,000	4.80	4.79	2,975,000	25-Jan-19
16-Jan-19	2,406,500	5.05	4.95	12,072,000	25-Jan-19
17-Jan-19	1,880,000	5.07	5.05	9,511,000	25-Jan-19
18-Jan-19	1,060,000	5.05	5.04	5,352,000	25-Jan-19
25-Mar-19	8,000,000	5.65	5.39	44,837,000	9-Apr-19
26-Mar-19	8,375,000	5.71	5.62	47,444,000	9-Apr-19
27-Mar-19	6,174,000	5.77	5.61	35,271,000	9-Apr-19
28-Mar-19	10,150,000	5.89	5.78	59,551,000	9-Apr-19
29-Mar-19	9,150,000	5.92	5.74	53,809,000	9-Apr-19
9-Apr-19	4,500,000	6.53	6.20	28,798,000	24-Apr-19
10-Apr-19	4,150,000	6.68	6.49	27,357,000	24-Apr-19
11-Apr-19	8,500,000	6.75	6.61	57,154,000	24-Apr-19
12-Apr-19	7,000,000	6.76	6.57	46,800,000	24-Apr-19
22-May-19	6,423,000	5.50	5.21	34,977,000	3-Jun-19
23-May-19	10,189,000	5.56	5.34	55,917,000	3-Jun-19
24-May-19	3,798,000	5.54	5.49	20,894,000	3-Jun-19
27-May-19	7,517,500	5.51	5.34	41,137,000	19-Jun-19
29-May-19	4,649,500	5.57	5.40	25,589,000	19-Jun-19

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

33. RESERVES

(a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao New Material Co., Ltd in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Weiqiao Chuangye Group Company Limited in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; and (v) share of capital reserve of an associate and a subsidiary from Shandong Innovation Carbon New Material Co., Ltd.* (“Innovation Carbon New Material”) 山東創新炭材料有限公司 and Shandong Hongao Automobile Lightweight Technology Co., Ltd. (“Hongao Automobile Lightweight”)* 山東宏奧汽車輕量化科技有限公司 respectively.

(b) Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the People’s Republic of China (“PRC”), those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year’s losses, expand the existing operations or convert into additional capital of the subsidiaries.

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Investment revaluation reserve

Investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

34. FAIR VALUE DISCLOSURES

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2020 and 31 December 2019. The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2020 RMB'000 (Unaudited)	31/12/2019 RMB'000 (Audited)	
Financial asset at FVTPL	Level 3	–	2,005	Market multiples – Based on average P/E multiple peers and discount for lack of marketability
Financial asset at FVTOCI	Level 1	230,692	289,339	Quoted bid prices in an active market
Capped forward contract	Level 2	1,742	819	Discounted cash flows – Based on forward contracts exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties)

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

34. FAIR VALUE DISCLOSURES (CONTINUED)

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2020 RMB'000 (Unaudited)	31/12/2019 RMB'000 (Audited)	
Interest rate swaps contracts	Level 2	12,319	3,300	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of convertible bonds	Level 3	146,377	128,516	Binomial option pricing model: Key inputs: risk free rate of 0.16% (31 December 2019: 1.59%), and effective interest rate of 7.65% (31 December 2019: 8.86%) and volatility of 41.74% (31 December 2019: 41.71%)
Conversion option derivative of convertible bonds	Level 3	43,456	151,421	Binomial option pricing model: Key inputs: risk free rate of 0.16% (31 December 2019: 1.59%), and effective interest rate of 7.65% (31 December 2019: 8.86%) and volatility of 41.74% (31 December 2019: 41.71%)

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The chief financial officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair values of the assets and liabilities.



Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

35. 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:

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

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

	RMB'000
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	(92)
	150,948

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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

35. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Gain on bargain purchase:

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

Net cash outflow arising on acquisition:

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

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

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

36. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Restricted bank deposits (note 20)	1,502,395	1,423,967
Property, plant and equipment (note 11)	12,486,648	11,121,259
Right-of-use assets (note 12)	297,308	300,980

37. 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	2,413,124	2,292,296

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the interim condensed consolidated financial information, the Group has the following related parties transactions.

- (a) During the six months ended 30 June 2020, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Shandong Weiqiao Chuangye Group Company Limited (“Weiqiao Chuangye”), 山東魏橋創業集團有限公司 (note i)	note iii
Binzhou Weiqiao Technology Industrial Park Company Limited (“Binzhou Industrial Park”) 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited (“Ming Hong Textile”) 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. (“Caseman”) 凱斯曼秦皇島汽車零部件製造有限公司	note v
CITIC Trust	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank International (“CITIC Bank”)	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank (“China CITIC Bank”) 中信銀行股份有限公司	Controlled by CITIC Group Corporation (note ii)
Binzhou City Construction Investment Development Co., Ltd. (“Binzhou Investment”) 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. (“Beihai Solid Waste”) 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd (“Shandong Ruixin”) 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2020, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

Name of party	Relationship
PT. Harita Jayaraya (“Harita Jayaraya”)	note iv
PT. Cita Mineral Investindo, Tbk.	note iv
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Zhanhua Jinsha Water Supply Co., Ltd. (“Jinsha Water Supply”) 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
Innovation Carbon New Material	An associate of a wholly-owned subsidiary of the Company
Africa Bauxite Mining Company Ltd (“ABM”)	An associate of a wholly-owned subsidiary of the Company
GTS Global Trading PTE Ltd (“GTS”)	An associate of a wholly-owned subsidiary of the Company
Wining Alliance Ports SA (“WAP”)	An associate of a wholly-owned subsidiary of the Company
Societe Miniere de Boke S.A (“SMB”)	An associate of a wholly-owned subsidiary of the Company
Zouping Binneng Energy Technology Co., Ltd (“Binneng Energy”) (note i)	An associate of a wholly-owned subsidiary of the Company

Notes:

- i. The English names of the above companies are for reference only.
- ii. CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 10.23% of the total issued shares of the Company, are both indirect subsidiaries of CITIC Group Corporation and therefore CITIC Group Corporation is a connected person of the Group.
- iii. Mr. Zhang Bo, the director of the Company, has a significant non-controlling beneficial interest in Weiqiao Chuangye, and is also the director of Weiqiao Chuangye.
- iv. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.
- v. On 13 December 2019, CITIC Industrial Investment Ningbo Co., Ltd, an indirect wholly-owned subsidiary of CITIC Group Corporation, entered into a share transfer agreement with an independent third party to sell 57.89% equity interest in CITIC Dicastal Co., Ltd, an immediate holding company of Caseman. Since then, Caseman is no longer be the related party to the Group.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2020, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties:

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Purchases of water			
– Jinsha Water Supply	(b)	(11,780)	(7,418)
– Weiqiao Chuangye	(b)	(18,561)	(20,000)
Industrial waste expenses			
– Beihai Solid Waste	(b)	(51,371)	(22,913)
Purchases of bauxite			
– GTS	(g)	(4,439,334)	(7,878,872)
– PT. Cita Mineral Investindo, Tbk.	(b)	(120,684)	–
Purchase of electricity			
– Binneng Energy	(g)	(4,606,942)	–
Purchase of anode carbon block			
– Innovation Carbon New Material	(g)	(245,037)	(79,047)
Sales of steam			
– Binzhou Industrial Park	(a)	5,212	8,208
– Ming Hong Textile	(a)	1,771	1,835
– Binzhou Investment	(a)	15,179	12,787
Sales of electricity			
– Innovation Carbon New Material	(g)	–	1,159
Sales of molten aluminum alloy			
– Caseman	(f)	–	1,347,470

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2020, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties: (Continued)

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Legal and professional fee			
– Shandong Ruixin	(a)	(2,387)	(2,621)
Lease payment			
– Weiqiao Chuangye	(a), (c)	(1,307)	(1,301)
– Harita Jayaraya	(b), (d)	(717)	(616)
– PT. Antar Sarana Rekasa	(b), (e)	(4,435)	(1,457)
Bank interest income			
– China CITIC Bank	(a)	212	390
Interest income from an associate			
– Binneng Energy	(g)	75,708	–
Interest expenses on bank borrowings			
– CITIC Bank	(a)	(19,544)	(78,774)
– China CITIC Bank	(a)	(168,236)	(186,148)
Purchases of collective investment trust			
– CITIC Trust	(b)	(1,000,000)	–
Investment income			
– CITIC Trust	(b)	33,484	–

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2020, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties: (Continued)

Notes:

- (a) The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14A.76 of the Listing Rules.
- (b) The related party transactions in respect of (b) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.
- (c) For the year ended 31 December 2019, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 30 June 2020, the carrying amount of such lease liabilities is approximately RMB43,490,000 (31 December 2019: RMB44,236,000).
- (d) For the year ended 31 December 2019, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. As at 30 June 2020, the carrying amount of such lease liabilities is approximately RMB513,000 (31 December 2019: RMB1,124,000).
- (e) For the year ended 31 December 2019, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. As at 30 June 2020, the carrying amount of such lease liabilities is approximately RMB12,394,000 (31 December 2019: RMB16,706,000).
- (f) On 13 December 2019, CITIC Group Corporation's indirect wholly-owned subsidiaries CITIC Industrial and Industrial Ningbo entered into the Share Transfer Agreement and agreed to sell CITIC Dicastal, an immediate holding company of Caseman. Caseman is no longer be the related party to the Group.
- (g) The related party transactions in respect of (g) above do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

The following balances were outstanding at the end of the reporting period:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Bank balances		
– CITIC Bank (note i)	20,557	194,744
– China CITIC Bank (note ii)	536,284	95,075
Bank borrowings		
– CITIC Bank (notes iii and v)	(743,348)	(732,501)
– China CITIC Bank (notes iv and v)	(6,321,208)	(6,435,000)

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2020, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

The following balances were outstanding at the end of the reporting period: (Continued)

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Loans to associates		
– ABM	778,745	767,382
– Binneng Energy	2,000,000	2,000,000
Trade payables		
– GTS	(679,630)	(127,236)
– Innovation Carbon New Material	(159,811)	(76,031)
– Jinsha Water Supply	(3,885)	(2,624)
– Weiqiao Chuangye	(15,956)	(11,292)
– PT. Cita Mineral Investindo, Tbk.	(41,112)	(38,942)
Trade receivables		
– Binzhou Investment	247	–
– Ming Hong Textile	62	114
Receivables from financial institution		
– CITIC Trust	–	1,000,000
Financial asset at FVTPL		
– CITIC Trust	–	2,005
Financial asset at amortised cost		
– CITIC Trust	1,000,000	–
Prepayment		
– Binneng Energy	3,232,612	2,438,457

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the six months ended 30 June 2020, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

The following balances were outstanding at the end of the reporting period: (Continued)

Notes:

- i. The bank balances of CITIC Bank were interest-free.
- ii. The bank balances of China CITIC Bank were interest bearing at normal interest rate of 0.3% per annum (31 December 2019: 0.3% per annum).
- iii. The bank borrowings of CITIC Bank were interest bearing at normal interest rates range from 5.11% to 5.17% per annum (31 December 2019: 5.9% to 6.5% per annum).
- iv. The bank borrowings of China CITIC Bank was interest bearing at normal interest rate ranged from 2.05% to 5.23% per annum (31 December 2019: 4.32% to 5.25% per annum).
- v. The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are fully exempt from the disclosure requirements in Chapter 14A.90 of the Listing Rules as the transaction terms are in normal commercial terms and are not secured by assets of the Group.

(b) Compensation of key management personnel

Key management personnel including directors and senior staff management of the Company.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefit	2,069	2,728
Retirement benefits scheme contributions	11	32
	2,080	2,760



Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Weiqiao Chuangye	299,000	299,000

39. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2020, the Group incorporated an indirect non-wholly owned subsidiary, Hongao Automobile Lightweight, with an independent third party. The non-controlling interest made that a non-cash consideration of approximately RMB6,100,000 which represented intangible assets and the Group recognised capital reserve of RMB70,000 and non-controlling interests of RMB6,030,000.

During the six months ended 30 June 2020, the Group purchased a collective investment trust which issued by CITIC Trust at a consideration of RMB1,000,000,000. The consideration was settled from the receivables from financial institution which was included in prepayment and other receivables as at 31 December 2019.