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

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

UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

- Revenue decreased by approximately 6.5% to approximately RMB41,430,060,000 as compared with the corresponding period of last year
- Gross profit increased by approximately 17.4% to approximately RMB7,642,526,000 as compared with the corresponding period of last year
- Profit for the Period of the Group increased by approximately 41.8% to approximately RMB2,782,703,000 as compared with the corresponding period of last year
- Net profit attributable to owners of the Company increased by approximately 37.3% to approximately RMB2,477,037,000 as compared with the corresponding period of last year
- Basic earnings per share increased by approximately 38.0% to approximately RMB0.287 as compared with the corresponding period of last year
- As at 30 June 2019, the Group's gearing ratio (total liabilities to total assets) was approximately 63.1%, representing a decrease of approximately 1.5 percentage point as compared with the gearing ratio of approximately 64.6% as at 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**41,430,060**	44,326,570
Cost of sales		**(33,787,534)**	(37,815,463)
Gross profit		**7,642,526**	6,511,107
Other income and gains		**1,880,232**	1,046,700
Selling and distribution expenses		**(291,648)**	(97,301)
Administrative expenses		**(1,556,076)**	(1,599,437)
Other expenses		**(1,221,067)**	(531,158)
Finance costs		**(2,923,576)**	(1,982,844)
Changes in fair value of derivatives		**(24,896)**	78,920
Share of profits of associates		**376,878**	323,774
Loss on disposal of a subsidiary		**–**	(648,772)
Profit before taxation		**3,882,373**	3,100,989
Income tax expenses	*6*	**(1,099,670)**	(1,138,162)
Profit for the period		**2,782,703**	1,962,827
Profit for the period attributable to:			
Owners of the Company		**2,477,037**	1,804,265
Non-controlling interests		**305,666**	158,562
		2,782,703	1,962,827

	Notes	Six months ended 30 June **2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Unaudited)
Other comprehensive (expense) income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**(746)**	33,304
Share of other comprehensive income of associates		**3,991**	38,573
Other comprehensive income for the period		**3,245**	71,877
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		**(101,796)**	–
Total comprehensive income for the period, net of income tax		**2,684,152**	2,034,704
Total comprehensive income for the period attributable to:			
Owners of the Company		**2,378,777**	1,863,152
Non-controlling interests		**305,375**	171,552
		2,684,152	2,034,704
Earnings per share	*8*		
– Basic (RMB)		**0.287**	0.208
– Diluted (RMB)		**0.287**	0.207

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**74,090,992**	76,361,390
Right-of-use assets		**5,142,428**	–
Intangible assets		**21,837**	22,673
Prepaid lease payments		–	4,915,054
Investment properties		–	143,606
Deposits paid for acquisition of property, plant and equipment		**260,797**	206,324
Deferred tax assets		**2,143,660**	1,865,927
Investment in associates		**6,525,656**	1,895,401
Goodwill	*10*	**608,818**	608,818
Financial assets at fair value through other comprehensive income	*11*	**806,374**	908,170
		89,600,562	86,927,363
CURRENT ASSETS			
Prepaid lease payments		–	132,414
Inventories	*12*	**22,022,285**	19,805,561
Trade receivables	*13*	**10,331,619**	6,750,578
Bills receivables		**10,390,900**	11,726,626
Prepayments and other receivables		**10,308,954**	4,747,463
Financial asset at fair value through profit or loss		**54**	–
Restricted bank deposits		**1,500,791**	1,256,474
Cash and cash equivalents		**25,725,201**	45,380,413
		80,279,804	89,799,529
Non-current assets classified as held for sale		**539,749**	–
		80,819,553	89,799,529

	Notes	**As at 30 June 2019** *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*14*	**13,772,339**	16,661,437
Other payables and accruals		**12,249,913**	11,840,680
Bank borrowings – due within one year		**24,192,377**	18,933,735
Lease liabilities		**23,949**	–
Income tax payable		**1,528,765**	1,460,994
Short-term debentures and notes		**–**	4,000,000
Medium-term debentures and bonds – due within one year		**2,974,000**	1,752,756
Guaranteed notes		**–**	3,078,664
Deferred income		**19,524**	19,450
		54,760,867	57,747,716
NET CURRENT ASSETS		**26,058,686**	32,051,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**115,659,248**	118,979,176
NON-CURRENT LIABILTIES			
Other payable		**122,953**	–
Bank borrowings – due after one year		**7,873,808**	11,263,803
Other borrowings – due after one year		**1,370,008**	1,366,569
Lease liabilities		**66,876**	–
Liability component of convertible bonds		**1,069,868**	1,012,052
Derivatives component of convertible bonds		**439,669**	415,195
Deferred tax liabilities		**721,369**	670,982
Medium-term debentures and bonds – due after one year		**40,516,509**	41,077,258
Deferred income		**563,425**	553,820
		52,744,485	56,359,679
NET ASSETS		**62,914,763**	62,619,497
CAPITAL AND RESERVES			
Share capital	*15*	**559,090**	566,172
Reserves		**59,452,566**	59,399,189
Equity attributable to owners of the parent		**60,011,656**	59,965,361
Non-controlling interests		**2,903,107**	2,654,136
TOTAL EQUITY		**62,914,763**	62,619,497

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 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 2018, 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 2018 except as disclosed below.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or disposal group must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2019.

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

The adoption of IFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial information. The new accounting policies are set out in note 4 below. The application of other new 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.

3.1 Impacts on adoption of IFRS 16 *Leases*

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied IFRS 16 *Leases* modified retrospectively and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 17 *Leases*.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of IFRS 16 on the Group's interim condensed consolidated financial information are described below.

The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.57%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor are not different from those under IAS 17.

The following table summarises the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	**Carrying amount previously reported at 31 December 2018**	**Impact on adoption of IFRS 16**	**Carrying amount as restated at 1 January 2019**
		RMB'000	*RMB'000*	*RMB'000*
		(Audited)		(Unaudited)
Right-of-use assets	*(a),(b)*	–	5,102,032	5,102,032
Prepaid lease payments	*(b)*	5,047,468	(5,047,468)	–
Lease liabilities	*(a)*	–	(54,564)	(54,564)

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB54,564,000.

(b) Prepaid lease payments of approximately RMB5,047,468,000 which represent the prepayment of rentals for land use rights in the PRC and Indonesia were adjusted to right-of-use assets.

3.2 Practical expedients applied

On the date of initial application of IFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*;

- reliance on previous assessments on whether leases are onerous by applying IAS 37 as an alternative to performing an impairment review;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the interim condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 December 2018.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group as lessor

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

5. REVENUE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	**29,268,773**	33,365,759
– aluminum alloy ingot	**1,159,352**	2,584,222
– aluminum fabrication	**4,466,496**	3,347,640
– alumina products	**6,157,040**	4,766,056
Steam supply income	**378,399**	262,893
	41,430,060	44,326,570

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical region		
The PRC	**39,429,020**	43,182,171
India	**640,754**	272,263
Europe	**296,619**	14,212
Malaysia	**678,495**	597,974
Others	**385,172**	259,950
Total	**41,430,060**	44,326,570
Type of customers		
Government related	**1,114**	2,537
Non-government related	**41,428,946**	44,324,033
Total	**41,430,060**	44,326,570
Sales channels		
Direct sales	**41,430,060**	44,326,570

6. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	**47,350**	–
– Indonesia Corporate Tax	**71,638**	–
– PRC Enterprise Income Tax	**1,214,194**	1,125,477
	1,333,182	1,125,477

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Over provision in previous years:		
– Hong Kong Profits Tax	**(6,166)**	–
– PRC Enterprise Income Tax	**–**	(3,926)
	(6,166)	(3,926)
Deferred taxation	**(227,346)**	16,611
Total income tax expenses	**1,099,670**	1,138,162

7. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period	**1,807,631**	1,697,064

During the current period, a final dividend of HK24 cents per share in respect of the year ended 31 December 2018 has been approved and paid.

During the six months ended 30 June 2018, a final dividend of HK20 cents per share in respect of the year ended 31 December 2017 has been approved and paid. During the six months ended 30 June 2018, the Company also paid a special dividend of HK20 cents per share and final dividend of HK27 cents per share in respect of the year ended 31 December 2016.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**2,477,037**	1,804,265
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**–**	98,053
Changes in fair values of derivatives component of convertible bonds	**–**	(78,920)
Exchange loss on translation of liability component of convertible bonds	**–**	29,024
Earnings for the purpose of diluted earnings per share	**2,477,037**	1,852,422

	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,630,209**	8,693,664
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	256,804
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,630,209**	8,950,468

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group purchased property, plant and equipment approximately RMB2,071,125,000 (six months ended 30 June 2018: approximately RMB679,518,000), excluding property, plant and equipment acquired from new acquired subsidiaries with carrying amount of approximately RMB421,600,000 (six months ended 30 June 2018: nil), transferred from construction in progress approximately RMB3,188,327,000 (six months ended 30 June 2018: approximately RMB266,072,000), 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 (six months ended 30 June 2018: RMB99,821,000).

During the six months ended 30 June 2019, the Group spent approximately RMB1,423,525,000 (six months ended 30 June 2018: RMB467,808,000) on the construction of its new product lines and power plant.

The depreciation of the Group for the six months ended 30 June 2019 is approximately RMB3,576,607,000 (six months ended 30 June 2018: RMB3,648,444,000).

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 have 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 RMB1,174,743,000 (six months ended 30 June 2018: nil) 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 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 will be sold within twelve months from the end of the current interim reporting period, 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 2018: nil).

At 30 June 2019, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB11,818,727,000 (31 December 2018: RMB9,282,147,000) were pledged to secure bank borrowings of the Group.

Buildings with carrying amount of RMB5,026,162,000 (31 December 2018: RMB5,189,424,000) located in the PRC are in the process of obtaining the property certificates.

10. GOODWILL

	As at 30 June 2019	As at 31 December 2018
	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**	668,694
Impairment loss recognised during the period/year	**–**	656,945
At the end of the financial period/year	**1,325,639**	1,325,639
Carrying amount		
At the end of the financial period/year	**608,818**	608,818

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

During the year ended 31 December 2018, the Group recognised an impairment loss of approximately RMB656,945,000 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 six months ended 30 June 2019.

11. FINANCIAL ASSET AT FVTOCI

Financial asset at FVTOCI comprise:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Equity instrument as at FVTOCI		
– Listed	**806,374**	908,170

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

12. INVENTORIES

At 30 June 2019, the carrying amounts of the Group's inventories were net of impairment provision of approximately RMB73,420,000 (31 December 2018: RMB85,546,000).

During the period, inventories previously impaired were sold at profit. As a result, a reversal of provision of approximately RMB43,025,000 (six months ended 30 June 2018: RMB45,462,000) has been recognised and included in other income and gains in the current year.

13. TRADE RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**10,353,510**	6,757,303
Less: allowance for impairment losses	**(21,891)**	(6,725)
	10,331,619	6,750,578

The Group allows an average credit period of 90 to 120 days (31 December 2018: 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 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Within 3 months	**9,497,898**	6,304,751
3-12 months	**789,409**	438,473
12-24 months	**44,065**	7,076
24-36 months	**247**	278
	10,331,619	6,750,578

14. TRADE AND BILLS PAYABLES

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Trade payables	**11,722,594**	14,661,437
Bills payable	**2,049,745**	2,000,000
	13,772,339	16,661,437

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

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Within 6 months	**11,455,388**	14,333,933
6-12 months	**201,323**	279,933
1-2 years	**23,957**	7,330
More than 2 years	**41,926**	40,241
	11,722,594	14,661,437

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

15. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
			US$	*US$*
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	30 June	31 December	30 June	31 December
	2019	2018	**2019**	2018
			US$	*US$*
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,570,852,349**	8,675,394,849	**85,708,523**	86,753,948

	Number of shares	Share Capital
		RMB'000
Issued and fully paid:		
At 1 January 2018	8,057,888,193	526,966
Issue of shares upon share subscription *(note (a))*	650,000,000	41,710
Issue of shares upon conversion of CBs *(note (b))*	70,544,156	4,495
Shares repurchased and cancelled	(103,037,500)	(6,999)
At 31 December 2018 and 1 January 2019	8,675,394,849	566,172
Shares repurchased and cancelled	(104,542,500)	(7,082)
At 30 June 2019	8,570,852,349	559,090

Notes:

(a) On 23 January 2018, 650,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.6 per share, raising a total proceeds of approximately RMB5,060,159,000, net of share issue expense of approximately RMB60,822,000.

(b) During the year ended 31 December 2018, CBs with principal amount US$73,600,000 was converted into 70,544,156 ordinary shares of the Company at par at the conversion price of HK$8.16 per ordinary share.

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 current period, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid	Share cancelled date
		HK$	*HK$*	*HK$*	
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.

16. DISPOSAL OF A SUBSIDIARY

On 30 June 2018, 濱州市沾化區匯宏新材料有限公司 ("Zhanhua Huihong New Material"), an indirect wholly-owned subsidiary of the Company, disposed of the entire issued share capital of 濱州市沾化區茂宏新材料有限公司 ("Zhanhua Maohong New Material"), a company directly wholly-owned by Zhanhua Huihong New Material, to an independent third party at a cash consideration of RMB2,950,000,000. RMB590,000,000 of the consideration was received during the six months ended 30 June 2018. The remaining balance of RMB885,000,000, RMB590,000,000 and RMB885,000,000 will be settled on 31 December 2018, 30 June 2019 and 31 December 2019 respectively. The remaining balance in aggregate of RMB2,360,000,000 is guaranteed by the acquirer's associated company which also is one of the major suppliers of the Group. The fair value of the consideration is assessed at net present value and discounted by weighted averaged borrowing costs of the Group.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,182,302
Other receivables	298,828
Cash and cash equivalents	1,000
Net assets disposed of	3,482,130

Loss on disposal of a subsidiary

	RMB'000
Consideration received and receivable	2,833,358
Net assets disposed of	(3,482,130)
Loss on disposal of a subsidiary	(648,772)

Consideration of the disposal

	RMB'000
Consideration of the disposal	2,833,358
Imputed interest on unsettled consideration	95,431
Less: cash consideration received	(2,065,000)
Consideration receivable (included in other receivables)	863,789
Analysed for reporting purposes as:	
Current assets	863,789

Net cash inflow arising on disposal

	As at 30 June 2018 *RMB'000*
Cash consideration received	590,000
Less: cash and cash equivalents disposed of	(1,000)
	589,000

17. COMMITMENTS

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Contracted for but not provided		
– Capital investment	**14,000**	14,000
– property, plant and equipment	**2,253,982**	794,563
	2,267,982	808,563

18. EVENTS AFTER THE REPORTING PERIOD

On 15 July 2019, the Company issued a 7.125% guaranteed notes with the aggregate principal amount of US$300,000,000 (the "2022 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group and the proceed was received on 23 July 2019. The 2022 Guaranteed Notes will be matured on 22 July 2022 and are listed on the Singapore Exchange Securities Trading Limited. Further details are set out in the announcements of the Company dated 15 July 2019, 16 July 2019 and 25 July 2019.

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of China Hongqiao Group Limited (the "Company" or "China Hongqiao"), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Period" or "Period under Review").

Global economic growth slowed down in the first half of 2019. Under such background, China's Gross Domestic Product (GDP) recorded a growth of 6.3%. Despite the slowed growth, China's economy maintained a steady development momentum in general, achieving progress while maintaining stability. In the meantime, however, due to the effect of several adverse factors such as the continuous trade tensions, increasingly strict resource and environmental policies and intensified industrial structure adjustment, the businesses and operations of the Group still faces certain uncertainties. The Group will closely monitor the situation and actively seek opportunities to cope with the challenges.

During the Period, the Group continued to implement its business model of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration", and strived to accelerate the industrial cluster development, optimise cost structure and economies of scale and enhance its leading position in the industry. For domestic business, the Group continued to maintain its business operation steadily, implemented the policies launched by the PRC government thoroughly, including the policy of production restriction in heating season, continued to optimise resources allocation, and enhanced energy-saving and environmental protection measures. For overseas business, the Group continued to develop alumina and bauxite business in Indonesia and Guinea, cultivated new profit growth points, and continued to provide a solid foundation for the Group's long-term development.

During the Period under Review, the Group's revenue amounted to approximately RMB41,430,060,000, representing a year-on-year decrease of approximately 6.5%; gross profit amounted to approximately RMB7,642,526,000, representing a year-on-year increase of approximately 17.4%; net profit attributable to owners of the Company amounted to approximately RMB2,477,037,000, representing a year-on-year increase of approximately 37.3%; basic earnings per share amounted to approximately RMB0.287 (same period in 2018: approximately RMB0.208). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

To deliver economies of scale, the Group went through years of devoted efforts to form an upstream and downstream full-chain operation pattern for bauxite mining and production and sales of alumina, aluminum products and deeply processed aluminum products. In addition, the Group will also further increase research and development investment, actively communicate with national scientific and research institutions, strive to achieve technology breakthroughs in aluminum industry and aluminum products application, and facilitate the high-quality development of the aluminum processing industry. At the same time, the Group will also strive to realize various of energy conservation and emission reduction plans and improve its environmental protection technologies, so as to achieve a greater contribution to winning the "Blue Sky Defence War".

Looking forward, the Group will continue to refine its industrial model, build an entire industrial chain for aluminum, actively explore upstream bauxite resources, promote the high-quality development of the aluminum processing industry and maintain the cost advantage toward the goal of achieving high-quality and sustainable development of the Group. Meanwhile, the Group will continue to proactively respond to the PRC government's policy of replacing old growth drivers with new ones and integrate the local thermal power resources through arrangements such as the way of collaborating with joint ventures and associates, to ensure the stable energy supply of the Group. The Group will continuously optimize its financial structure, maintain its steady cash flow and continue its efforts to maximize shareholder interest. At the same time, the Group will continue its efforts to create an efficient, environmental-friendly and clean energy business by actively responding to national policies and devoting additional resources in the areas of energy conservation, emissions reduction, safety and environmental protection.

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and all employees for their unrelenting efforts and dedication made in the first half of 2019, as well as to all the shareholders, investors and business partners for their support and trust.

Zhang Bo
Chairman of the Board

23 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Period under Review, major economies in the world experienced slowed growth due to the impacts of trade frictions. With sluggish manufacturing activities, the downward pressure on economy increased significantly, and the growth rate of primary aluminum consumption in overseas market slowed down. In the meantime, China's primary aluminum consumption market was backed by China's domestic policies and the export of aluminum product. According to Beijing Antaike Information Development Co., Ltd. ("Antaike"), China's primary aluminum consumption was approximately 18.06 million tons in the first half of 2019, representing a year-on-year increase of approximately 0.8% and accounting for approximately 54.7% of global primary aluminum consumption. In the first half of 2019, global primary aluminum consumption was approximately 33.01 million tons, representing a year-on-year increase of approximately 0.5%. (Source: Antaike)

In the first half of 2019, the progress of China's domestic new primary aluminum production capacity slowed down. In the first half of the year, China's primary aluminum production was approximately 17.89 million tons, representing a year-on-year decrease of approximately 0.6% and accounting for approximately 56.3% of global production. Overseas production activities of primary aluminum remained the trend of growing slightly, with global primary aluminum production of approximately 31.78 million tons, representing a year-on-year increase of approximately 0.3%. (Source: Antaike)

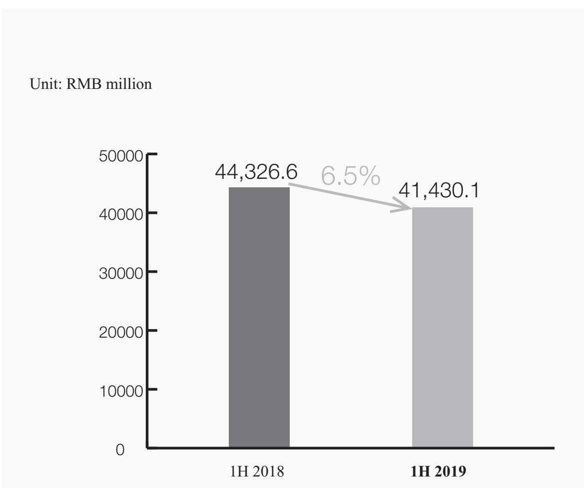
During the Period, commodity prices were affected by the weak performance of global macro-economy. International aluminum price continued to decline in the first half of the year while China's domestic aluminum futures price dropped in the first quarter and picked up in the second quarter, operating within a range significantly lower than that of 2018. In the first half of 2019, the average prices of spot-month aluminum and three-month aluminum futures at London Metal Exchange (LME) were approximately US$1,826/ton and US$1,849/ton, representing a decrease of approximately 17.3% and approximately 16.3%, respectively, over the same period in 2018. In the first half of 2019, the average prices of spot-month aluminum and three-month aluminum futures at Shanghai Futures Exchange (SHFE) were approximately RMB13,777/ton (including tax) and RMB13,786/ton (including tax), representing a year-on-year decrease of approximately 4.2% and approximately 5.6%, respectively. (Source: Antaike)

BUSINESS REVIEW

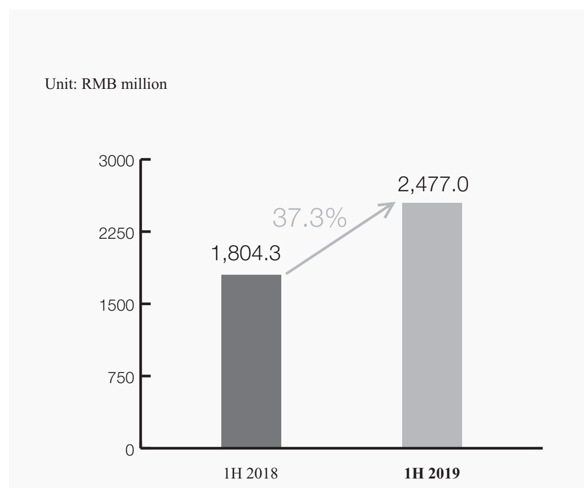
During the Period, the Group's total output of aluminum alloy products amounted to approximately 2,860,000 tons, representing a year-on-year decrease of approximately 10.3%, mainly due to the impact of the PRC government's policy of production restriction in heating season in the first half of 2019 and the Group's replacement for the original production facilities with more advanced production facilities during the Period, which required certain approval processes from relevant departments of the PRC government before putting into operation, resulting in the decrease in the Group's production volume of aluminum alloy products for the Period. The production volume of aluminum fabrication products reached approximately 389,000 tons, representing a year-on-year increase of approximately 66.9% since the Group actively expanded in-depth processing market, resulting in an increase of purchase orders.

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2019 and for the same period of 2018 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 2019, decreased by approximately 6.5% to approximately RMB41,430,060,000 as compared with the corresponding period of last year, mainly due to the decrease in the Group's production volume and sales volume of aluminum alloy products for the Period as compared to the corresponding period of last year. During the Period, the sales volume of aluminum alloy products of the Group reached approximately 2,532,000 tons, representing a decrease of approximately 13.9% as compared with approximately 2,942,000 tons for the same period of last year; the sales volume of aluminum fabrication products of the Group reached approximately 314,000 tons, representing an increase of approximately 35.3% as compared with approximately 232,000 tons for the same period of last year; the sales volume of alumina products reached approximately 2,409,000 tons, representing an increase of approximately 32.2% as compared with approximately 1,823,000 tons for the same period of last year. The increase in the sales volume of alumina products was mainly because the self-consumption alumina of the Group decreased and the Group seized the market opportunities and developed the domestic product market, resulting in an increase in the product sales.

For the six months ended 30 June 2019, net profit attributable to owners of the Company amounted to approximately RMB2,477,037,000, representing a year-on-year increase of approximately 37.3%, mainly due to the loss of approximately RMB648,772,000 on disposal of subsidiaries for the corresponding period of last year. Excluding the aforesaid factor, the Group's operation remained stable during the Period; net profit attributable to owners of the Company arising from regular production and operation activities did not change significantly as compared with the corresponding period of last year.

FINANCIAL REVIEW

The following table shows the breakdown of revenue by products for the six months ended 30 June 2019 and for the same period of 2018:

	For the six months ended 30 June			
	2019		2018	
	Revenue	**Proportion of sales revenue to total revenue**	Revenue	Proportion of sales revenue to total revenue
Products	***RMB'000***	***%***	*RMB'000*	*%*
Aluminum alloy products	**30,428,125**	**73.4**	35,949,981	81.1
Alumina	**6,157,040**	**14.9**	4,766,056	10.8
Aluminum fabrication products	**4,466,496**	**10.8**	3,347,640	7.6
Steam	**378,399**	**0.9**	262,893	0.5
Total	**41,430,060**	**100.0**	44,326,570	100.0

The Group's revenue derived from aluminum alloy products for the six months ended 30 June 2019 was approximately RMB30,428,125,000, accounting for approximately 73.4% of the total revenue and representing a decrease as compared with the same period of last year, which was mainly due to the impact of the PRC government's policy of production restriction in heating season and the Group's replacement for the original production facilities with more advanced production facilities during the Period, which required certain approval processes from relevant departments of the PRC government before putting into operation, resulting in the decreases in the production volume and sales volume of aluminum alloy products for the Period as compared with the corresponding period of last year. The revenue derived from alumina amounted to approximately RMB6,157,040,000, accounting for approximately 14.9% of the total revenue and representing an increase as compared with the same period of last year, which was mainly due to a decrease in self-consumption alumina of the Group and an increase in external sales. The revenue derived from aluminum fabrication products amounted to approximately RMB4,466,496,000, accounting for approximately 10.8% of the total revenue and representing an increase as compared with the same period of last year, which was mainly because the Group continued to actively expand the market, leading to an increase in sales volume of aluminum fabrication products.

Distribution and selling expenses

For the six months ended 30 June 2019, the Group's distribution and selling expenses were approximately RMB291,648,000, representing an increase of approximately 199.7% as compared with approximately RMB97,301,000 for the corresponding period of last year, which was mainly due to the increase in sales volume of alumina products and aluminum fabrication products.

Administrative expenses

For the six months ended 30 June 2019, the administrative expenses of the Group amounted to approximately RMB1,556,076,000, which was almost the same as compared to approximately RMB1,599,437,000 for the corresponding period of last year.

Finance costs

For the six months ended 30 June 2019, the finance costs of the Group were approximately RMB2,923,576,000, representing an increase of approximately 47.4% as compared with approximately RMB1,982,844,000 for the corresponding period of last year, which was mainly due to the increase in total weighted occupation of debts of the Group for the Period as comapared with the corresponding period of last year, and the increase in coupon rate as a result of the exercise of issuer's option to adjust the coupon rate of some interest-bearing debts.

Liquidity and financial resources

As at 30 June 2019, the cash and cash equivalents of the Group were approximately RMB25,725,201,000, as compared with approximately RMB45,380,413,000 as at 31 December 2018. The decrease in cash and cash equivalents was mainly due to the net cash outflows as a result of the operating activities, investment activities and financing activities of the Group.

For the six months ended 30 June 2019, the Group had a net cash outflow from operating activities of approximately RMB4,449,559,000, a net cash outflow from investing activities of approximately RMB5,070,067,000, and a net cash outflow from financing activities of approximately RMB10,137,327,000. The increase in net cash outflow from operating activities was mainly attributable to the Group's continued deepening of cooperation with companies in the local industrial clusters, which led to the increase in accounts receivable and the Group's increased purchase of bauxite for stable supply of the Group's raw materials, which led to an increase in inventory. The increase in the net cash outflow from investment activities was mainly attributable to the increase in capital expenditure and the increased investment in associates. The increase in net cash outflow from financing activities was mainly attributable to the Group's further optimization of debt structure, debt reduction and payment of dividends during the Period.

For the six months ended 30 June 2019, the capital expenditure of the Group amounted to approximately RMB1,789,519,000, mainly for the renovation and upgrading of the environmental protection projects and the payment for the quality guarantee deposits of the pre-construction projects in accordance with relevant contracts.

As at 30 June 2019, the Group had capital commitment of approximately RMB2,267,982,000 representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the renovation and upgrading of the environmental protection projects and the payment for the quality guarantee deposits of the pre-construction projects in accordance with relevant contracts, and the construction expenditure of the alumina project.

For the six months ended 30 June 2019, the Group's average turnover days of trade receivables for aluminum products were approximately 32 days, representing an increase of 23 days as compared with approximately 9 days for the corresponding period of last year, which was mainly because the Group granted the premium downstream clients a longer credit period as the Group continued to deepen cooperation with the downstream clients of the aluminum industrial cluster in Binzhou.

For the six months ended 30 June 2019, the Group's turnover days of inventory were approximately 111 days, representing an increase of 33 days as compared with approximately 78 days for the corresponding period of last year, which was mainly due to the Group's increased purchase of bauxite for production use, which led to an increase in inventory balance of the Group. As the international trade frictions escalated, the Group increased the purchase and reserve of raw materials so as to ensure the stable and sufficient supply of the Group's raw materials and diminish the risks relating to shipping safety which may be brought by the international trade frictions. In addition, the Group believes that the increase in purchase volume will also further reduce the Group's procurement cost of raw materials.

Income tax

The Group's income tax for the first half of 2019 amounted to approximately RMB1,099,670,000, representing a decrease of approximately 3.4% as compared with approximately RMB1,138,162,000 for the corresponding period of last year, mainly attributable to the increase in deferred tax of the Group.

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

For the six months ended 30 June 2019, the net profit attributable to owners of the Company was approximately RMB2,477,037,000, representing an increase of approximately 37.3% as compared with approximately RMB1,804,265,000 for the corresponding period of last year.

During the Period, the basic earnings per share of the Company were approximately RMB0.287 (corresponding period of 2018: approximately RMB0.208).

Interim dividends

The Board did not recommend any interim dividends for the six months ended 30 June 2019 (corresponding period of 2018: nil).

Capital structure

The Group has established an appropriate liquidity risk management framework to manage its short, medium and long-term funding needs and to satisfy its liquidity management requirements. As at 30 June 2019, the cash and cash equivalents of the Group amounted to approximately RMB25,725,201,000, which were mainly saved in commercial banks. Considering the needs for the Group's normal business operation and the scale of debt repayments, 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 2019, the total liabilities of the Group amounted to approximately RMB107,505,352,000 (31 December 2018: approximately RMB114,107,395,000). Gearing ratio (total liabilities to total assets) was approximately 63.1% (31 December 2018: approximately 64.6%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use assets as collateral for bank borrowings to provide a portion of funding for its daily business operation and project construction. As at 30 June 2019, the Group had secured bank borrowings of approximately RMB6,909,240,000 (31 December 2018: approximately RMB9,019,717,000).

As at 30 June 2019, the Group's total bank borrowings were approximately RMB32,066,185,000. The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 30 June 2019, approximately 20.1% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 79.9% were subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 30 June 2019, debts except bank borrowings of the Group included approximately RMB1,370,008,000 of other borrowings, approximately RMB43,490,509,000 of medium-term notes and bonds as well as approximately RMB1,509,537,000 of convertible bonds with interest rates ranging from 3.84% to 8.69% per annum. 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 2019, the Group had net current assets of approximately RMB26,058,686,000. 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, improve its profitability and improve its cash flow position in order to maintain the adequate liquidity of the Group.

As at 30 June 2019, the Group's liabilities were mainly denominated in RMB and US Dollars, among which, RMB liabilities accounted for approximately 85.4% of the total liabilities, and US Dollars liabilities accounted for approximately 14.6% of the total liabilities. Cash and cash equivalents were mainly held in RMB and US Dollars, of which approximately 95.4% was held in RMB and approximately 3.9% was held in US Dollars.

Employee and remuneration policy

As at 30 June 2019, the Group had a total number of 45,001 employees, representing a decrease of 2,583 employees as compared with the beginning of the year, which was mainly attributable to the normal employee mobility. During the Period, the total staff costs of the Group amounted to approximately RMB1,835,757,000, representing approximately 4.4% 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, borrowings, convertible bonds and senior notes are denominated in foreign currencies, the Group is exposed to certain currency risks. As at 30 June 2019, the Group's bank balances denominated in foreign currencies were approximately RMB1,186,585,000 and its liabilities denominated in foreign currencies were approximately RMB11,429,619,000. For the six months ended 30 June 2019, the Group recognised foreign exchange loss of approximately RMB30,173,000.

Contingent liabilities

As at 30 June 2019, the Group had no significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

On 15 July 2019 (after trading hours), the Company (as the issuer) and the Subsidiary Guarantors (as guarantors) entered into the purchase agreement with China CITIC Bank International Limited, Barclays Bank PLC, Crédit Agricole Corporate and Investment Bank, Societe Generale Corporate & Investment Banking, ING Bank N.V., Singapore Branch, Orient Securities (Hong Kong) Limited, ABCI Capital Limited, China Securities (International) Corporate Finance Company Limited and CNCB (Hong Kong) Capital Limited (as the initial purchasers), pursuant to which the Company has agreed to issue and the initial purchasers have agreed to purchase the 7.125% senior unsecured notes due 2022 in the principal amount of US$300 million (the "Notes"), and have paid for the Notes in the aggregate principal amount of US$300 million on 22 July 2019. The net proceeds of the Note Issue, after deduction of commission and expenses, amounted to approximately US$296 million. The Company intends to apply the net proceeds from this offering for refinancing certain existing indebtedness with the remainder for general corporate purposes. The Notes were listed and quoted on SGX-ST. Further details are set out in the announcements of the Company dated 15 July 2019, 16 July 2019 and 25 July 2019.

On 15 July 2019, Shandong Hongqiao New Material Co., Ltd., a wholly-owned subsidiary of the Company, repaid the principal amount of the corporate bonds of RMB2,974,000,000 and related interest in accordance with the terms to sell back the bonds as set out in its prospectus on non-public issuance of 2016 corporate bonds (second tranche).

As affected by the rainstorms brought by typhoon "Lekima", some of the Group's production workshops were damaged by the rain, which might bring adverse impact on the Group's production. According to the preliminary assessment by the Group's management, it was estimated that the Group's production volume of aluminum products for 2019 will decrease by 200 to 300 thousand tons as a result of such adverse impact. Further assessment of the time for resuming production according to the situation of particular production workshops is required to determine the impact on the Group's actual production volume. The Group is actively communicating with relevant local government departments, and has arranged relevant technicians of the Group to commence repair works, and is liaising with the insurer in respect of insurance claim, to reduce relevant impact on a best effort basis. As at the date hereof, the floodwater brought by the rainstorms has receded. Save for the aforesaid affected production capacity, the Group's business operation is in normal condition.

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

As at 30 June 2019, so far as it is known to the Directors and the chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified 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 (the "SFO") (Chapter 571 of the Laws of Hong Kong), or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Name of shareholder	Capacity/type of interest	Total number of shares held	Approximate percentage of the total issued share capital as at 30 June 2019 (%)
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

Note:

(1) Shiping Prosperity Private Trust Company held these shares 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 80% interest in CITIC Trust Co., Ltd. and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 20% 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 65.37% 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 2019, so far as it is known to the Directors and the chief executive of the Company, there was no other person (other than the Directors and the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

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

As at 30 June 2019, the Directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company and 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 entered in the register described in the provisions pursuant to 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 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 2019 (%)
Mr. ZHANG Bo	Beneficial owner	8,870,000 (L)	0.10

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or 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 entered in the register described in the provisions pursuant to Section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire 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).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 and up to the date of this announcement, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of 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 equity or debt securities of the Company or any other associated 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 Practice 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 23 August 2019 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019. The Audit Committee considers that the interim financial results for the six months ended 30 June 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, on 14 January 2019, 16 January 2019, 17 January 2019, 18 January 2019, 25 March 2019, 26 March 2019, 27 March 2019, 28 March 2019, 29 March 2019, 9 April 2019, 10 April 2019, 11 April 2019, 12 April 2019, 22 May 2019, 23 May 2019, 24 May 2019, 27 May 2019 and 29 May 2019, pursuant to the share repurchase mandates granted by the shareholders of the Company at the annual general meetings held on 16 May 2018 and 22 May 2019 respectively, the Company repurchased 620,000 ordinary shares, 2,406,500 ordinary shares, 1,880,000 ordinary shares, 1,060,000 ordinary shares, 8,000,000 ordinary shares, 8,375,000 ordinary shares, 6,174,000 ordinary shares, 10,150,000 ordinary shares, 9,150,000 ordinary shares, 4,500,000 ordinary shares, 4,150,000 ordinary shares, 8,500,000 ordinary shares, 7,000,000 ordinary shares, 6,423,000 ordinary shares, 10,189,000 ordinary shares, 3,798,000 ordinary shares, 7,517,500 ordinary shares and 4,649,500 ordinary shares of the Company respectively. There were 104,542,500 ordinary shares repurchased in total. On 25 January 2019, 9 April 2019, 24 April 2019, 3 June 2019 and 19 June 2019, the Company cancelled 104,542,500 ordinary shares repurchased in total which accounted for approximately 1.22 % of the total issued shares of the Company as at 30 June 2019.

For the six months ended 30 June 2019, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	**No. of ordinary share of US$0.01 each**	**Price per share**		**Consideration paid (excluding the commissions and other expenses)**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
14 January 2019	620,000	4.80	4.79	2,975,000
16 January 2019	2,406,500	5.05	4.95	12,072,000
17 January 2019	1,880,000	5.07	5.05	9,511,000
18 January 2019	1,060,000	5.05	5.04	5,352,000
25 March 2019	8,000,000	5.65	5.39	44,837,000
26 March 2019	8,375,000	5.71	5.62	47,444,000
27 March 2019	6,174,000	5.77	5.61	35,271,000
28 March 2019	10,150,000	5.89	5.78	59,551,000
29 March 2019	9,150,000	5.92	5.74	53,809,000
9 April 2019	4,500,000	6.53	6.20	28,798,000
10 April 2019	4,150,000	6.68	6.49	27,357,000
11 April 2019	8,500,000	6.75	6.61	57,154,000
12 April 2019	7,000,000	6.76	6.57	46,800,000
22 May 2019	6,423,000	5.50	5.21	34,977,000
23 May 2019	10,189,000	5.56	5.34	55,917,000
24 May 2019	3,798,000	5.54	5.49	20,894,000
27 May 2019	7,517,500	5.51	5.34	41,137,000
29 May 2019	4,649,500	5.57	5.40	25,589,000
Total	104,542,500			609,445,000

For details, please refer to the next day disclosure returns of the Company dated 15 January 2019, 17 January 2019, 18 January 2019, 21 January 2019, 26 March 2019, 27 March 2019, 28 March 2019, 29 March 2019, 1 April 2019, 10 April 2019, 11 April 2019, 12 April 2019, 15 April 2019, 23 May 2019, 24 May 2019, 27 May 2019, 28 May 2019 and 30 May 2019.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months period ended 30 June 2019 and up to the date of this announcement.

SENIOR NOTES

On 17 April 2018, the Company issued 6.85% senior notes due 2019 in the aggregate principal amount of US$ 450,000,000 (the "Notes Due 2019"). The Notes Due 2019 matured on 22 April 2019 (the "Maturity Date"), and the Company has redeemed the Notes Due 2019 in full at their principal amount together with interest accrued to the Maturity Date. Please refer to the announcements of the Company dated 13 April 2018, 17 April 2018, 27 April 2018 and 23 April 2019, respectively, for details.

ADJUSTMENT OF CONVERSION PRICE AND PRINCIPAL AMOUNT 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 ultilised 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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the six months ended 30 June 2019 and up to the date of this announcement.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Company has applied the principals as set out in the CG Code. For the six months period ended 30 June 2019, the Company has complied with the mandatory code provisions of the CG Code, except for the following deviation:

At the Board meeting held on 31 May 2019, the executive Director and the chief executive officer of the Company, Mr. Zhang Bo, was elected by the Board as the chairman of the Board and was appointed as a member of each of the remuneration committee and nomination committee of the Company. Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should 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 of Board committees and the vice chairman of the Board.

Save as disclosed above, there was no non-compliance of other mandatory code provisions of the CG Code by the Company for the six months ended 30 June 2019.

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

The electronic version of this results announcement will be available on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongqiaochina.com. The printed version of the interim report will be dispatched to the shareholders on or before 27 September 2019.

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

Hong Kong, the PRC
23 August 2019

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