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

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

**UNAUDITED RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**RESULTS HIGHLIGHTS**

- Revenue increased by approximately 7.2% to approximately RMB13,501,821,000 as compared with the corresponding period of the previous year
- Gross profit decreased by approximately 2.5% to approximately RMB3,973,559,000 as compared with the corresponding period of the previous year
- Net profit attributable to owners of the Company decreased by approximately 1.1% to approximately RMB2,810,012,000 as compared with the corresponding period of the previous year
- Basic earnings per share was the same as compared with the corresponding period of the previous year and amounted to approximately RMB0.48
- As at 30 June 2013, the Group's total designed annual production capacity for aluminum products was approximately 2,456,000 tons

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

*For the six months ended 30 June 2013*

	NOTES	Six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Revenue	3	13,501,821	12,596,372
Cost of sales		(9,528,262)	(8,521,555)
Gross profit		3,973,559	4,074,817
Other income and gains and losses	4	422,299	186,284
Distribution and selling expenses		(30,588)	(28,909)
Administrative expenses		(221,121)	(131,264)
Finance costs	5	(687,837)	(259,684)
Other expenses		(5,493)	(11,225)
Changes in fair value of compound derivative		198,983	29,799
Profit before taxation	7	3,649,802	3,859,818
Income tax expense	6	(845,872)	(1,019,400)
Profit for the period		<u>2,803,930</u>	<u>2,840,418</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,885)	—
Total comprehensive income for the period		<u>2,798,045</u>	<u>2,840,418</u>
Profit for the period attributable to:			
Owners of the Company		2,810,012	2,840,418
Non-controlling interests		(6,082)	—
		<u>2,803,930</u>	<u>2,840,418</u>

		<b>Six months ended 30 June</b>	
		<b>2013</b>	2012
	<i>NOTES</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Total comprehensive income			
for the period attributable to:			
Owners of the Company		<b>2,806,481</b>	2,840,418
Non-controlling interests		<b>(8,436)</b>	—
		<u>2,798,045</u>	<u>2,840,418</u>
Earnings per share	9		
Basic (RMB)		<u>0.48</u>	<u>0.48</u>
Diluted (RMB)		<u>0.44</u>	<u>0.48</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	<i>NOTES</i>	At 30 June 2013 <i>RMB'000</i> (unaudited)	At 31 December 2012 <i>RMB'000</i> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	31,937,221	26,711,299
Prepaid lease payments-non-current portion		1,033,215	1,044,404
Deferred tax assets		101,307	57,495
Deposits paid for acquisition of property, plant and equipment		1,834,714	1,705,469
		<u>34,906,457</u>	<u>29,518,667</u>
<b>Current Assets</b>			
Prepaid lease payments-current portion		22,394	22,394
Inventories		6,445,869	3,110,727
Trade receivables	11	135,266	43,672
Bills receivable	12	1,639,323	1,319,684
Prepayments and other receivables		957,119	314,542
Available-for-sale investments	13	1,700,000	–
Restricted bank deposits	14	1,249,955	872,088
Bank balances and cash	14	11,582,063	9,174,943
		<u>23,731,989</u>	<u>14,858,050</u>
<b>Current Liabilities</b>			
Trade payables	15	1,794,781	1,097,744
Bills payable		–	200,000
Other payables	16	4,177,950	3,871,241
Dividends payable		2	–
Income tax payable		337,475	244,895
Bank borrowings-due within one year	17	12,108,203	6,659,235
Other borrowings-due within one year	17	85,000	–
Held-for-trading financial liabilities		1,603	1,084
Short-term debentures	18	2,000,000	–
		<u>20,505,014</u>	<u>12,074,199</u>
<b>Net Current Assets</b>		<u>3,226,975</u>	<u>2,783,851</u>
<b>Total Assets less Current Liabilities</b>		<u><u>38,133,432</u></u>	<u><u>32,302,518</u></u>

	<i>NOTES</i>	<b>At 30 June 2013 RMB'000 (unaudited)</b>	At 31 December 2012 RMB'000 (audited)
<b>Capital and Reserves</b>			
Share capital		<b>386,206</b>	386,206
Share premium and reserves		<b>23,515,586</b>	21,927,049
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>23,901,792</b>	22,313,255
Non-controlling interests		<b>16,206</b>	24,642
		<hr/>	<hr/>
<b>Total Equity</b>		<b>23,917,998</b>	22,337,897
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Bank borrowings-due after one year	<i>17</i>	<b>7,180,117</b>	7,443,657
Other borrowings-due after one year	<i>17</i>	<b>285,000</b>	–
Medium-term debentures	<i>19</i>	<b>5,967,866</b>	1,486,640
Deferred tax liabilities		<b>12,708</b>	73,763
Convertible bonds-liability component	<i>20</i>	<b>737,576</b>	729,411
Convertible bonds-derivative component	<i>20</i>	<b>32,167</b>	231,150
		<hr/>	<hr/>
		<b>14,215,434</b>	9,964,621
		<hr/>	<hr/>
		<b>38,133,432</b>	32,302,518
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2013*

	Attributable to owners of the Company						Total	Non- controlling interests	Total
	Share capital	Share premium	Capital reserve	Translation reserve	Statutory surplus reserve	Retained earnings			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2013(audited)	386,206	4,832,946	793,349	–	2,558,318	13,742,436	22,313,255	24,642	22,337,897
Exchange difference on translation of foreign operations	–	–	–	(3,531)	–	–	(3,531)	(2,354)	(5,885)
Profit for period	–	–	–	–	–	2,810,012	2,810,012	(6,082)	2,803,930
Total comprehensive income for the period	–	–	–	(3,531)	–	2,810,012	2,806,481	(8,436)	2,798,045
Dividend declared (Note 8)	–	–	–	–	–	(1,217,944)	(1,217,944)	–	(1,217,944)
At 30 June 2013(unaudited)	<b>386,206</b>	<b>4,832,946</b>	<b>793,349</b>	<b>(3,531)</b>	<b>2,558,318</b>	<b>15,334,504</b>	<b>23,901,792</b>	<b>16,206</b>	<b>23,917,998</b>
At 1 January 2012 (audited)	386,206	4,832,946	793,349	–	1,849,484	10,535,049	18,397,034		18,397,034
Profit and total comprehensive income for period	–	–	–	–	–	2,840,418	2,840,418	–	2,840,418
Dividend declared (Note 8)	–	–	–	–	–	(1,536,371)	(1,536,371)	–	(1,536,371)
At 30 June 2012 (unaudited)	<b>386,206</b>	<b>4,832,946</b>	<b>793,349</b>	<b>–</b>	<b>1,849,484</b>	<b>11,839,096</b>	<b>19,701,081</b>	<b>–</b>	<b>19,701,081</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<b>Net cash generated from operating activities</b>	<b>254,019</b>	<b>3,524,041</b>
Addition to property, plant and equipment	(6,096,344)	(5,050,608)
Addition to prepaid lease payments	–	(110,063)
Interest received	36,479	16,091
Purchases of available-for-sale investments	(1,700,000)	–
Placement of restricted bank deposits	(655,336)	(705,900)
Withdrawal of restricted bank deposits	277,469	58,923
<b>Net cash used in investing activities</b>	<b>(8,137,732)</b>	<b>(5,791,557)</b>
Dividends paid	(1,217,942)	(1,536,228)
Proceeds from issue of convertible bonds	–	945,525
Payment of transaction costs on issue of convertible bonds	–	(27,765)
New bank borrowings raised	7,642,093	6,226,084
Repayments of bank borrowings	(2,456,665)	(5,377,548)
Proceeds from issue of medium-term debentures raised	4,500,000	–
Payment of transaction costs on issue of medium-term debentures	(31,973)	–
Proceeds from issue of short-term debentures raised	2,000,000	–
Payment of transaction costs on issue of short-term debentures	(12,000)	–
Other borrowings raised	390,000	1,341,822
Repayments of other borrowings	(20,000)	–
Interest paid	(501,242)	(229,013)
<b>Net cash generated from financing activities</b>	<b>10,292,271</b>	<b>1,342,877</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,408,558</b>	<b>(924,639)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>9,174,943</b>	<b>7,484,795</b>
Effect of foreign exchange rate changes	(1,438)	–
Cash and cash equivalents at 30 June, represented by bank balances and cash	<b>11,582,063</b>	<b>6,560,156</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2013*

## 1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands, and its principal place of business is located at Huixian One Road, Zouping Economic Development District, Zouping County, Shandong Province, the People’s Republic of China (“PRC”). The Company is an investment holding company.

The Company’s subsidiaries are principally engaged in the business of manufacture and sales of aluminum products.

The condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the new or revised standards, amendments and interpretation (“new and revised IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for the current interim period. In addition, the Group has applied the following policy applicable to its available-for-sale investments acquired during the current interim period.

### **Available-for-sale investments**

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss (“FVTPL”), loans and receivables or held-to-maturity investments.

Available-for-sale investments are measured at fair value at the end of each reporting period. Changes in fair value of available-for-sale are recognised in other comprehensive income and accumulated in reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in reserve is reclassified to profit or loss.



## **New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current interim period, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards that are relevant to the Group is set out below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC 12 Consolidation – Special Purpose Entities. IFRS10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive.

In June 2012, the amendments to IFRS 10, IFRS11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

The application of these standards has no material impact on the Group's profit or loss, other comprehensive income and financial position in the current and prior periods. However, the directors consider that the application of IFRS 12 will affect the Group's disclosures in the annual consolidated financial statements for the year ending 31 December 2013.

### **IFRS 13 Fair Value Measurement**

IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of IFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

## **Amendments to IAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the title of “condensed consolidated statement of comprehensive income” is changed to “condensed consolidated statement of profit and loss and other comprehensive income” and the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as disclosed above, the application of the other new or revised IFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### **3. REVENUE AND SEGMENT INFORMATION**

The Group is principally engaged in the manufacture and sales of aluminum products.

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, the Group’s chief operating decision maker, in order to allocate resources to segments and to assess their performance. The information reported to executive directors of the Company for the purpose of resource allocation and assessment of performance, includes revenue analysis by products and revenue from steam supply and does not contain profit information by product line or profit from steam supply. The executive directors reviewed the gross profit of the Group as a whole reported under relevant accounting regulations of the PRC which has no significant differences as compared with gross profit reported under IFRS. It was determined that the Group has only one single operating segment, being the manufacture and sales of aluminum products. As a result, no segment information is presented.

No segment assets, liabilities, other segment related information were presented as no such discrete financial information are provided to the chief operating decision maker.

The Group’s revenue represents the amount received and receivable for sale of aluminum products and steam supply.

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from sales of goods		
Aluminum products		
– molten aluminum alloy	<b>10,099,885</b>	8,047,475
– aluminum alloy ingots	<b>3,093,066</b>	4,004,124
– aluminum busbars	<b>1,730</b>	107,062
– aluminum fabrication	<b>206,196</b>	92,384
Steam supply income	<b>100,944</b>	345,327
	<b>13,501,821</b>	12,596,372

#### 4. OTHER INCOME AND GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest income	<b>36,479</b>	16,091
Net gain on sales of raw materials (note i)	<b>58,453</b>	16,755
Revenue from sales of slag of carbon anode blocks	<b>142,881</b>	140,487
Foreign exchange gains (losses), net (note ii)	<b>152,413</b>	(13,138)
Loss from changes in fair value of financial liabilities at FVTPL	<b>(519)</b>	–
Others	<b>32,592</b>	26,089
	<b>422,299</b>	186,284

Notes:

i. The revenues and expenses resulting in the net gain on sales of raw materials are as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from sales of raw materials	<b>75,886</b>	30,776
Cost related to sales of raw materials	<b>(17,433)</b>	(14,021)
	<b>58,453</b>	16,755

ii. Foreign exchange gains amounting to RMB152,413,000 in the current interim period arose from US\$ denominated borrowings.

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expenses on bank borrowings		
– wholly repayable within five years	<b>505,894</b>	262,002
Interest expenses on convertible bonds (Note 20)	<b>38,719</b>	23,817
Interest expenses on medium-term debentures	<b>130,486</b>	–
Interest expenses on short-term debentures	<b>31,333</b>	–
Interest expenses on other borrowings	<b>8,050</b>	4,261
Transaction cost relating to compound derivative		
– component of convertible bonds	–	6,854
Less: amount capitalised under construction in progress	<b>(26,645)</b>	<b>(37,250)</b>
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Total	<b>687,837</b>	<b>259,684</b>
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Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 6.80% (six months ended 30 June 2012: 7.23%) per annum to expenditure on qualifying assets.

## 6. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
The charge comprises:		
Current tax		
– PRC enterprise income tax	<b>898,278</b>	974,822
– Hong Kong profit tax	<b>52,461</b>	–
Deferred tax charge (credit)	<b>(104,867)</b>	44,578
	<hr/>	<hr/>
	<b>845,872</b>	<b>1,019,400</b>
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Under the Law of PRC on Enterprise Income Tax (“the EIT Law”) and implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

In addition, the EIT Law provides that qualified dividend income between two “PRC-resident enterprises” that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law. An amount of RMB12,708,000 (six months ended 30 June 2012: RMB46,356,000) is recognised in respect of the PRC subsidiaries undistributed profits generated in the current interim period.

The PRC enterprise income tax includes PRC enterprise income tax and withholding tax on dividend income between group entities on the taxable income of subsidiaries established in the PRC. Included in the PRC enterprise income tax is an amount of RMB73,763,000 (six months ended 30 June 2012: RMB81,090,000) which refers to intra-group dividend declared in the current interim period.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period.

The Company and its subsidiaries incorporated in BVI and Indonesia had no assessable profits since their incorporation.

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Depreciation of property, plant and equipment	919,775	598,543
Cost of inventories recognised as an expense	9,492,869	8,479,146
Amortisation of prepaid lease payments	11,189	10,755
	<u>9,423,773</u>	<u>9,189,444</u>

## 8. DIVIDENDS

Dividends declared for distribution during the period:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
2012 final dividends-HK\$26 cents per share	1,217,944	–
2011 final dividends-HK\$32 cents per share	–	1,536,371
	<u>1,217,944</u>	<u>1,536,371</u>

During the current interim period, a final dividend of HK\$1,530,100,000 (equivalent to approximately RMB1,217,944,000), at HK\$26 cents per share in respect of the year ended 31 December 2012, based on 5,885,000,000 shares as at 31 December 2012 (2012: HK\$1,883,200,000 (equivalent to approximately RMB1,536,371,000), at HK\$32 cents per share in respect of the year ended 31 December 2011) was declared to the owners of the Company.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 and six months ended 30 June 2012.

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	2,810,012	2,840,418
Effect of effective interest on the liability component of convertible bonds (Note 20)	38,719	23,817
Effect of gain recognised on the compound derivative component of convertible bonds (Note 20)	(198,983)	(29,799)
	<u>2,649,748</u>	<u>2,834,436</u>
Earnings for the purpose of diluted earnings per share		
	<u>2,649,748</u>	<u>2,834,436</u>

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
<b>Weighted average number of shares</b>	<b>'000 shares</b>	<b>'000 shares</b>
Number of ordinary shares		
for the purpose of basic earnings per share	<b>5,885,000</b>	5,885,000
Effect of conversion of convertible bonds	<b>173,626</b>	73,478
	<hr/>	<hr/>
Weighted average number of ordinary shares		
for the purpose of diluted earnings per share	<b>6,058,626</b>	5,958,478
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## **10. PROPERTY, PLANT AND EQUIPMENT**

During the current interim period, the Group purchased property, plant and equipment approximately RMB224,327,000 (six months ended 30 June 2012: RMB205,568,000), and spent approximately RMB5,921,370,000 (six months ended 30 June 2012: RMB5,371,914,000) on the construction of its new product lines and power plant.

Property with carrying amount of RMB779,831,000 (31 December 2012: Nil) located in the PRC which the Group is in the process of obtaining the property certificate.

The Group has pledged certain property, plant and equipment as disclosed in Note 21.

## **11. TRADE RECEIVABLES**

The Group has a policy of allowing credit period of no more than 90 days to its trade customers with trading history, or otherwise sales on cash terms are required.

The following is an analysis of trade receivables by age, presented based on the invoice date:

	<b>At 30 June</b>	At 31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	<b>RMB'000</b>
0-90 days	<b>135,266</b>	43,672
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## **12. BILLS RECEIVABLE**

	<b>At 30 June</b>	At 31 December
	<b>2013</b>	2012
	<b>RMB'000</b>	<b>RMB'000</b>
Bills receivable	<b>1,639,323</b>	1,319,684
	<hr/> <hr/>	<hr/> <hr/>

The aged analysis of bills receivable presented based on the issue date at the reporting date is as follows:

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
0-90 days	908,867	485,299
91-180 days	730,456	834,385
	<u>1,639,323</u>	<u>1,319,684</u>

### 13. AVAILABLE-FOR-SALE INVESTMENTS

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Non-publicly traded investments, at fair value:		
-corporate wealth management products	<u>1,700,000</u>	<u>—</u>

The balance represents investment in corporate wealth management products issued by bank. These investments are redeemable based on price provided by the counterparty bank which is the issuer of the products and are carried at fair value at the end of each reporting period.

### 14. RESTRICTED BANK DEPOSITS AND BANK BALANCES

Restricted bank deposits represent the Group's bank deposits pledged to banks for issuance of letter of credit.

The pledged bank deposits carry market interest rate of 0.35% to 3.3% per annum as at 30 June 2013 (31 December 2012: 0.35% to 3.5%).

Bank balances and cash at 30 June 2013 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

### 15. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for purchases of goods. The average credit period is 180 days.

The following is an analysis of trade payables by age, presented based on the invoice date:

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
0-180 days	1,756,933	1,091,334
181-365 days	36,890	5,389
1-2 years	383	822
Over 2 years	575	199
	<u>1,794,781</u>	<u>1,097,744</u>

## 16. OTHER PAYABLES

An analysis of other payables of the Group is as follows:

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Payables on property, plant and equipment	2,402,530	2,400,173
Retention payables	1,046,676	897,081
Other payables and accruals	226,658	46,200
Advance from customers	397,267	486,842
Accrued payroll and welfare	49,746	15,638
Other tax payables	55,073	25,307
	<u>4,177,950</u>	<u>3,871,241</u>

## 17. BANK AND OTHER BORROWINGS

### (a) Bank borrowings

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Secured bank borrowings	4,368,371	2,914,424
Unsecured bank borrowings	14,919,949	11,188,468
	<u>19,288,320</u>	<u>14,102,892</u>
The total borrowings are repayable as follows (Note):		
Within one year	12,108,203	6,659,235
In the second year	4,225,463	2,495,347
In the third year	1,554,654	3,748,310
In the fourth year	1,400,000	300,000
In the fifth year	–	900,000
	<u>19,288,320</u>	<u>14,102,892</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>12,108,203</u>	<u>6,659,235</u>
Amount due after one year	<u>7,180,117</u>	<u>7,443,657</u>
Total borrowings		
– at fixed rates	6,479,122	5,714,365
– at floating rates	12,809,198	8,388,527
	<u>19,288,320</u>	<u>14,102,892</u>



Analysis of borrowings by currency:

– denominated in RMB	7,870,200	7,629,500
– denominated in US\$	10,779,105	6,153,571
– denominated in HK\$	639,015	319,821
	19,288,320	14,102,892
	19,288,320	14,102,892

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements. At the end of 30 June 2013 and 31 December 2012, no bank borrowings have contained a repayment on demand clause.

Fixed interest rate borrowings are charged at the prevailing market rates ranging from 1.51% to 8.11% (31 December 2012: 2.0% to 8.11%) per annum as at 30 June 2013.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People’s Bank of China, and interest on borrowings denominated in US\$ and HK\$ at floating rates are calculated based on London Interbank Offered Rate and Hong Kong Interbank Offered Rate respectively.

The effective weighted average interest rate for the six months ended 30 June 2013 was 4.95% (31 December 2012: 6.64%) per annum.

**(b) Other borrowings**

As of 30 June 2013, the Group pledged certain property, plant and equipment to secure other borrowings amounting to RMB390,000,000 (31 December 2012: RMB1,341,882,000), and repaid the other borrowings amounting to RMB20,000,000 (31 December 2012: RMB1,341,882,000). The secured other borrowings was lent by RBS Leasing (China) Co., Ltd, an independent third party, for three years tenor with repayment in 12 installments and interest bearing at 6.27% per annum.

**18. SHORT-TERM DEBENTURES**

	<b>At 30 June 2013 RMB’000</b>	At 31 December 2012 RMB’000
Short-term debentures	<b>2,000,000</b>	–

Pursuant to the resolution of the shareholders meeting dated 20 September 2012, the Group’s subsidiary, Shandong Weiqiao Alumina & Power Ltd. (“Alumina & Power”) applied to National Association of Financial Market Institutional Investors (“NAFMII”) for issuing short-term debentures of RMB2,000,000,000 to independent third party debenture holders.

On 8 April 2013, Alumina & Power issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 8 April 2014. The debentures bear fixed interest at 4.53% per annum. Interest is payable annually in arrears.

On 27 April 2013, Alumina & Power issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 27 April 2014. The debentures bear fixed interest at 5.00% per annum. Interest is payable annually in arrears.

## 19. MEDIUM-TERM DEBENTURES

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Medium-term debentures	<b><u>5,967,866</u></b>	<u>1,486,640</u>

Pursuant to the resolution of the shareholders meeting dated 9 March 2012, the Group's subsidiary, Shandong Hongqiao New Material Ltd. ("Shandong Hongqiao") applied to NAFMII for issuing medium-term debentures of RMB3,000,000,000 to independent third party debenture holders.

On 7 December 2012, Shandong Hongqiao issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 7 December 2015. The debentures bear fixed interest at 5.80% per annum. Interest is payable annually in arrears.

On 25 January 2013, Shandong Hongqiao issued the second tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 25 January 2018. The debentures bear fixed interest at 6.30% per annum. Interest is payable annually in arrears.

Pursuant to the resolution of the shareholders meeting dated 20 September 2012, the Group's subsidiary, Alumina & Power applied to NAFMII for issuing medium-term debentures of RMB3,000,000,000 to independent third party debenture holders.

On 10 April 2013, Alumina & Power issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 10 April 2018. The debentures bear fixed interest at 5.80% per annum. Interest is payable annually in arrears.

On 9 May 2013, Alumina & Power issued the second tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 9 May 2018. The debentures bear fixed interest at 6.00% per annum. Interest is payable annually in arrears.

## 20. CONVERTIBLE BONDS

On 10 April 2012, the Company issued a 6.5% Convertible Bond due 2017 in the aggregate principal amount of US\$150,000,000 (the "Convertible Bonds"). The Convertible Bonds are listed on Singapore Exchange Securities Trading Limited.

The principal terms of the Convertible Bonds are as follows:

### (a) Optional conversion

The Convertible Bonds will, at the option of the holder ("Bondholders"), be convertible (unless previously converted, redeemed or purchased and cancelled) on or after 21 May 2012 up to and including 1 April 2017 into fully paid ordinary shares with a par value of US\$0.01 each at an initial conversion price (the "Conversion Price") of HK\$7.27 per share and a fixed exchange rate of HK\$7.7623 to US\$1.00 (the "Prevailing Rate"). The Conversion Price is subject to adjustments in the manner set out in the Convertible Bonds agreement.

As disclosed in Note 8, a final dividend of HK\$32 cents per share for the year ended 31 December 2011 was approved in the annual general meeting in May 2012. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK\$7.27 to HK\$6.81 effective from 24 May 2012.

As disclosed in Note 8, a final dividend of HK\$26 cents per share for the year ended 31 December 2012 was approved in the annual general meeting in May 2013. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK\$6.81 to HK\$6.33 effective from 27 May 2013.

**(b) Redemption**

- Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the Convertible Bonds at the principal amount together with unpaid accrued interest thereon on 10 April 2017.

- Redemption at the option of the Company

On giving not less than 30 nor more than 90 days' notice, the Company may at any time after 10 April 2015 redeem all, but not some only, of the Convertible Bonds for the time being outstanding at the principal amount, together with interest accrued but unpaid to the date fixed for redemption, provided that the closing price of the shares translated into US\$ at the prevailing foreign exchange rate applicable to the relevant trading day for 20 out of 30 consecutive trading day prior to the date upon which notice of such redemption is published, was at least 130 percent of the principal amount of the Convertible Bonds divided by the Conversion Price.

On giving not less than 30 nor more than 60 days' notice, the Company may redeem all, but not some only, of the Convertible Bonds for the time being outstanding at the principal amount, together with interest accrued to the date fixed for redemption provided that prior to the date of such notice at least 90 per cent in principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

- Redemption at the option of the Bondholders

The Company will at the option of the Bondholder, redeem all or some of the Convertible Bonds on 10 April 2015 at the principal amount together with interest accrued to the date fixed for redemption.

The Convertible Bonds comprised of two components:

- (i) Liability component is initially measured at fair value amounted to approximately RMB712,122,000. It is subsequently measured at amortised cost by applying an effective interest rate of 14.70% after considering the effect of the transaction costs.
- (ii) Compound derivative component comprise:
  - Redemption option of Bondholders;
  - Redemption option of the Company;
  - Conversion option of the Bondholders.

Transaction costs that relate to the issue of the Convertible Bonds are allocated to the liability and the compound derivative (including conversion option and redemption options) components in proportion to their relative fair values. Transaction costs amounting to approximately RMB6,854,000 relating to the compound derivative component were charged to profit or loss immediately and included in finance costs. Transaction costs amounting to approximately RMB20,911,000 relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the Convertible Bonds using the effective interest method.

The Compound derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm, Grant Sherman Appraisal Limited. The fair value of the compound derivative component is derived by removing the liability component from the fair value of Convertible Bonds which is calculated using Binomial Option Pricing Model. The major inputs used in the models as at 31 December 2012 and 30 June 2013 were as follows:

	<b>At 30 June 2013</b>	At 31 December 2012
Stock price	<b>HK\$3.90</b>	HK\$ 4.07
Exercise price	<b>HK\$6.33</b>	HK\$ 6.81
Risk-free rate	<b>0.781%</b>	0.281%
Expected life	<b>3.78 years</b>	4.28 years
Volatility	<b>37.88%</b>	42.72%

The risk free rates were determined with reference to the Hong Kong Exchange Fund Notes Yields. The expected life was estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the historical price volatilities of the Company and three comparable companies under the same periods as the expected life.

Any changes in the major inputs into the model will result in changes in the fair value of the compound derivative component.

The movement of the liability and compound derivative component of the Convertible Bonds for the period is set out below:

	Liability component <i>RMB'000</i>	Compound derivative component <i>RMB'000</i>	Total <i>RMB'000</i>
Convertible bonds at 31 December 2012	729,411	231,150	960,561
Interest charged during the period (Note 5)	38,719	–	38,719
Interest paid during the period	(30,554)	–	(30,554)
Changes in fair value during the period	–	(198,983)	(198,983)
	<hr/>	<hr/>	<hr/>
As at 30 June 2013	<b>737,576</b>	<b>32,167</b>	<b>769,743</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No conversion or redemption of the Convertible Bonds has occurred up to 30 June 2013.

## 21. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and other borrowings 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:

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Restricted bank deposits	<b>1,249,955</b>	872,088
Land use rights	<b>31,667</b>	32,016
Property, plant and equipment	<b>394,072</b>	—
	<b><u>1,675,694</u></b>	<b><u>904,104</u></b>

In addition, the Company pledged its shares in China Hongqiao Investment Limited, Hongqiao Investment (Hong Kong) Limited, Hongqiao International Trading Limited and its trade receivables as collateral for a syndicated loan facility of US\$460,000,000 (equivalent to RMB2,917,090,000) and HK\$320,000,000 (equivalent to RMB261,625,600), all of which were drawn down as at 31 December 2012. During the current interim period, the Company raised a new syndicated loan facility of US\$330,000,000 (equivalent to RMB2,071,707,000) which is also covered by the above collateral, and was drawn down as at 30 June 2013.

## 22. CAPITAL COMMITMENTS

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	<b>4,122,423</b>	4,572,760
– authorised but not contracted for	<b>13,621,732</b>	14,779,206
	<b><u>17,744,155</u></b>	<b><u>19,351,966</u></b>

## 23. RELATED PARTY TRANSACTIONS

### (a) Name and relationship with related parties

Name	Relationship
山東魏橋創業集團有限公司 ("Chuangye Group") (note i)	note ii
濱州魏橋鋁業科技有限公司 ("Aluminum Technology") (note i)	Controlled by Chuangye Group

Notes:

- (i) The English names of the above company are for reference only and have not been registered.

(ii) Mr. Zhang Shiping, the director and the controlling shareholder of the ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group.

(b) The Group has entered into the following significant transactions with its related parties during the reporting period:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Purchases of carbon anode blocks		
– Aluminum Technology	<u><b>133,787</b></u>	<u>102,341</u>
Sales of slag of carbon anode blocks		
– Aluminum Technology	<u><b>15,939</b></u>	<u>13,432</u>

(c) **Compensation of key management personnel**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Short term employee benefit	<b>2,938</b>	2,879
Retirement benefits scheme contributions	<b>19</b>	16
	<u><b>2,957</b></u>	<u>2,895</u>

(d) **Guarantees and security**

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

	<b>At 30 June</b>	At 31 December
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Chuangye Group	<u><b>488,800</b></u>	<u>–</u>

(e) **Balances with related parties**

	<b>At 30 June</b>	At 31 December
	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payable		
Aluminum Technology	<u><b>5,157</b></u>	<u>–</u>

## CHAIRMAN'S STATEMENT

To all shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of China Hongqiao Group Limited (“China Hongqiao” or the “Company”), 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 2013 (the “Period” or “Period under Review”).

### STAY AHEAD WITH STABLE GROWTH AT TIMES OF CHALLENGES

During the first half of 2013, development of the aluminum industry of China was gloomy – even more severe than that in 2012. The main reason was that despite the on-going growth in demand of aluminum, its growth still lagged behind the growth of PRC aluminium production capacity, which in turn continued to weigh on the over capacity in the PRC aluminum market. On the other hand, Republic of Indonesia (“Indonesia”) announced in May 2012 that it would impose an export tariff on 14 types of ore, including bauxite, and the rising cost indirectly caused further pressure on the aluminum product manufacturers in China. Bauxite is used for producing alumina, the primary raw material of aluminium products. On the whole, the overall sluggishness in the PRC aluminum industry in the first half of the year added much uncertainties to the development prospect for the second half of the year.

Amid the overall adverse picture of the aluminum industry, the Group continued to reinforce its leading position in the PRC aluminum industry by leveraging its outstanding cost advantage and strong core competitiveness. The Group continued to maintain a stable downstream demand by its unique industry cluster model. This significantly alleviated the adverse impact to the Group caused by external factors and ensured stable growth in the Group’s production and operation as well as provided satisfactory results.

During the Period under Review, as a leading enterprise in the aluminum industry of China, the Group seized development opportunities to further enhance its production capacity as well as reinforced its business advantage. As of 30 June 2013, the Group’s total designed annual production capacity of aluminum products was approximately 2,456,000 tons (31 December 2012: approximately 2,016,000 tons), ranking as the third largest aluminum product manufacturer in China (source of ranking: Antaike), representing an increase of approximately 38.3% as compared to the corresponding period of 2012 (corresponding period in 2012: approximately 1,776,000 tons).

Furthermore, the Group continued its efforts in “integration of aluminum and electricity” and “integration of upstream and downstream businesses”. On one hand, the Group continued to expand its captive power plants. As at 30 June 2013, the aggregate installed capacity of our Group’s co-generating captive power plants reached 3,390MW which raised the self-supplied ratio of power from approximately 55.1% for the first half of 2012 to 64.9% for the first half of 2013 and ensured a stable power supply of the Group. On the other hand, self-supplied ratio of the primary raw material of the Group, increased to around 69.2% in the first half of 2013 from around 26.3% in the first half of 2012, advancing a new stage in the progress of further control of the Group’s production cost.

During the Period under Review, the Group's revenue reached approximately RMB13,501,821,000 representing a year-on-year increase of approximately 7.2%. The gross profit amounted to approximately RMB3,973,559,000, representing a year-on-year decrease of approximately 2.5%. The net profit attributable to owners of the Company amounted to approximately RMB2,810,012,000, representing a year-on-year decrease of approximately 1.1%. This was primarily due to the fact that the unit sales price of aluminum products dropped as compared to the corresponding period of the previous year, even though the Group recorded increases in production and sales volumes of aluminum products during the Period. Basic earnings per share were approximately RMB0.48 (corresponding period in 2012: approximately RMB0.48). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

## **COEXISTING RISKS AND OPPORTUNITIES IN THE ALUMINUM MARKET**

In the first half of 2013, the global aluminum industry experienced ups and downs, while the PRC aluminum industry faced both risks and opportunities. From January to June 2013, the global consumption of primary aluminum increased by approximately 5.9% year-on-year to approximately 24,840,000 tons, representing a surplus of 60,000 tons. Due to the slowdown in economic growth, the industry suffered from over capacity in the PRC market. Despite the increase in the consumption of primary aluminum in China of approximately 10.2% year-on-year to approximately 11,640,000 tons from January to June 2013, the excess supply still reached 250,000 tons.

On the other hand, with the on-going growth in aluminum consumption in downstream businesses such as construction, transportation, high technology, food and pharmaceutical sectors, aluminum demand in PRC market continued increasing. Under such surplus conditions in the global aluminum market, China became one of the markets with the highest growth in demand for aluminum products. Nevertheless, considering the growth in additional production capacity still outpaced that in aluminum demand in China, it is expected that overcapacity will persist in the industry within a short period as the problem of overcapacity intensified.

To turn the situation around, the PRC aluminum industry is paying effort in promoting consolidation of the industry, during the process of which, the industry is gradually eliminating backward capacities with high cost and power consumption. Such advancement shall place the PRC aluminum industry into a healthier and more stable track for development while presenting us an excellent opportunity which is favourable for the long term development of the Group. With the on-going progress in the national industrial policy, rapid development in sectors such as infrastructure, indemnificatory housing, urban transportation, mechanical manufacturing and auto manufacturing will continue to drive the growth in the consumption of aluminum products. This will benefit the Group continuously amid the growth of downstream consumption markets.

Meanwhile, ever since the consecutive announcement of the "12th Five-Year Plan for the Nonferrous Metal Industry", "12th Five-Year Plan for the Aluminum Industry", "12th Five-Year Plan for the New Materials Industry" and "Rules and Qualifications for the Aluminum Industry" by the Ministry of Industry and Information Technology of China, policies and measures in favour of resolving the over capacity of aluminum and promoting the usage of aluminum are to be gradually implemented. These policies and measures are expected to provide certain support to the aluminum price in the future. As a visionary market leader, the Group will meet the challenges ahead and pay close attention towards market and policy dynamics with a view to seize every opportunity favourable to its development.



## **SEIZING THE OPPORTUNITY AND ADVANCING TO A NEW STAGE WITH CONFIDENCE**

Despite numerous difficulties in the PRC aluminum industry to overcome, the Group remains prudentially optimistic towards the development outlook for the aluminum market. The Group is confident in the future development of itself as well as the industry as a whole. Riding on the continuous demand for domestic aluminum products, China Hongqiao will strive to capitalize on the new development opportunities for a self-breakthrough. The Group will continue to make progress in increasing its production capacity, extending the industry chain, advancing technology and optimizing costs in order to further consolidate itself as the industry leader.

While persistently improving the self-supplied ratio of raw materials, the Group is also proactively extending into downstream businesses to enrich its product types and to optimize its product structure. The Group continued exploring the downstream fabrication processing industry and projects for aluminum while further enhancing the cost and scale effect of the Group to strengthen the Group's businesses and its industry cluster advantage.

Looking forward, in a journey filled with both opportunities and challenges, the Group is well positioned to seize development opportunities and take the initiative to address difficulties and challenges. The Group will continuously optimize its product structure and developing environment to deliver the best results for owners.

### **APPRECIATION**

The Group's long established leading position in China aluminum industry is brought about by the collaboration and dedication of all staff members. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to the management team of the Group for their excellent direction and to the employees of the Group for their relentless efforts, as well as to our shareholders and investors for their continuous trust and support.

**Zhang Shiping**

*Chairman*

9 August 2013

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

During the first half of 2013, the PRC aluminum manufacturers were faced with increasingly tough challenges in both the global market and the domestic market. Due to the over capacity of aluminum, aluminum price remained at a low level. At the end of June 2013, the three-month aluminum futures price quoted on the London Metal Exchange reached USD1,773 per ton, and the three-month aluminum futures price quoted on the Shanghai Futures Exchange was RMB14,215 per ton (value-added tax inclusive).

While on the other hand, in terms of China's domestic supply and demand, the domestic aluminum industry has been ushering in a major turning point of the development of the aluminum industry. In order to ensure the healthy development of the aluminum industry in the future, the aluminum industry in China has been vigorously promoting the industry consolidation, speeding up the elimination of high-cost and high-energy consumption obsolete production capacity. It is expected that China will phase out 800,000 tons of obsolete production capacity in the period of the "12th Five-Year Plan". In addition, several favorable factors including the gradual implementation of the policies and measures supporting the development of aluminum industry, continuous promotion of urbanization of China and the rapid development of downstream demand for aluminum product sectors, will also be conducive to the virtuous cycle of sustainable development of aluminum industry in China.

According to Antaike, the global production volume of primary aluminum in the first half of 2013 was approximately 24,900,000 tons, representing an increase of approximately 5.0% as compared with the corresponding period of 2012. The global consumption of primary aluminum in the first half of 2013 amounted to approximately 24,840,000 tons, representing an increase of approximately 5.9% as compared with the corresponding period of the previous year. As compared to the global market, the growth in supply and demand of the aluminum market in China was higher than that of the overall level of the global market. The production volume of primary aluminum in China in the first half of 2013 was approximately 11,840,000 tons, representing an increase of approximately 10.1% as compared with the corresponding period of 2012. The consumption of primary aluminum in China in the first half of 2013 amounted to approximately 11,640,000 tons, representing an increase of approximately 10.2% as compared with the corresponding period of the previous year.

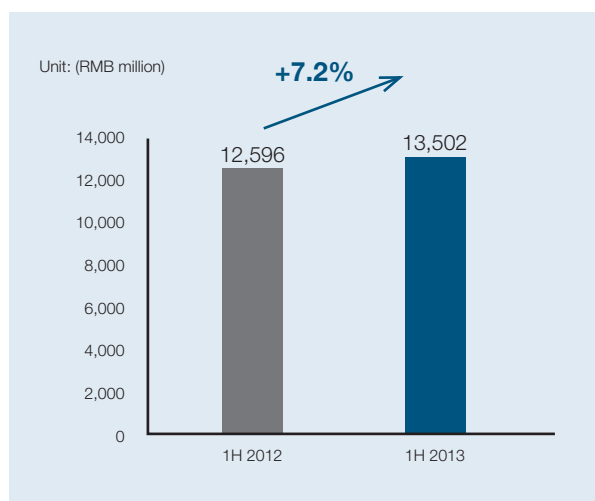
## BUSINESS REVIEW

In the first half of 2013, the Group seized development opportunities to further enhance production capacity, thereby expanding production chain and consolidating its edge in the industry.

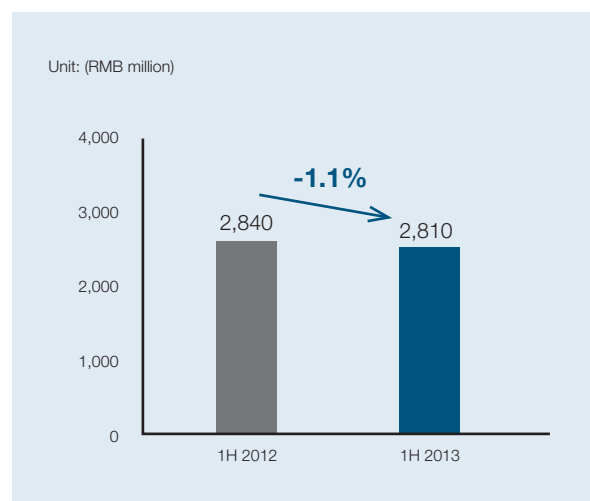
As of 30 June 2013, the Group's aggregate designed annual production capacity of aluminum products reached approximately 2,456,000 tons, leaping to the third largest aluminum product manufacturer in China (source of ranking: Antaika). Given the increasing demand from our customers, the Group's total output of aluminum products in the first half of the year amounted to approximately 1,075,938 tons, representing a year-on-year increase of approximately 19.8%.

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2013, with comparison figures for the six months ended 30 June 2012, are as follows:

### Unaudited Revenue



### Unaudited Net profit attributable to owners of the Company



For the six months ended 30 June 2013, the Group recorded revenue of approximately RMB13,501,821,000, representing a year-on-year growth of approximately 7.2%, which was mainly due to the increases in the Group's production volumes and sales volumes of aluminum products compared with the corresponding period of the previous year. During the Period, the sales volume of the Group's aluminum products was approximately 1,084,759 tons, representing an increase of approximately 21.1% from approximately 895,565 tons in the same period of the previous year. The average selling price of the Group's aluminum products decreased by approximately 9.7% from approximately RMB13,680 per ton (excluding value-added tax) in the first half of 2012 to approximately RMB12,354 per ton (excluding value-added tax) in the first half of 2013.

For the six months ended 30 June 2013, the net profit attributable to owners of the Company amounted to approximately RMB2,810,012,000, representing a year-on-year decrease of approximately 1.1%, mainly due to the decrease in the unit sale price of aluminum products during the Period as compared with the corresponding period of the previous year, and the decrease in profits resulted from the increase in operation costs.

The tables below are a comparison of the breakdown of revenue by product for the six months ended 30 June 2013 and 2012, respectively:

Products	Unaudited			
	For the six months ended 30 June			
	2013		2012	
	Revenue	Proportion	Revenue	Proportion
	RMB'000	of sales	RMB'000	of sales
		revenue to		revenue to
		total revenue		total revenue
		%		%
Molten aluminum alloy	10,099,885	74.8	8,047,475	63.9
Aluminum alloy ingots	3,093,066	22.9	4,004,124	31.8
Aluminum busbars	1,730	0.1	107,062	0.9
Aluminum fabrication	206,196	1.5	92,384	0.7
Steam	100,944	0.7	345,327	2.7
Total	<u>13,501,821</u>	<u>100.0</u>	<u>12,596,372</u>	<u>100.0</u>

As for its products, the Group's revenue derived from aluminum products was approximately RMB13,400,877,000, accounting for approximately 99.3% of total revenue for the six months ended 30 June 2013. Among which, the revenue derived from molten aluminum alloy accounted for approximately 74.8% of total revenue, representing an increase in percentage share as compared with the same period in the previous year, mainly attributable to the corresponding increased consumption of aluminium products by downstream enterprises in related aluminum industry clusters which led to the increase in sales volume of molten aluminum alloy. Revenue derived from sales of steam was approximately RMB100,944,000, accounting for approximately 0.7% of the Group's total revenue and representing a decrease as compared with the same period in the previous year. The decrease in revenue derived from sales of steam was mainly because the Group used more steam during the process of the major raw materials production, thus the steam available for sale decreased accordingly.

## FINANCIAL REVIEW

### *Revenue, gross profit and gross profit margin*

The table below is an analysis of the Group's revenue, gross profit and gross profit margin derived from its major products for the six months ended 30 June 2013 and 2012, respectively:

Products	Unaudited					
	For the six months ended 30 June					
	2013			2012		
Revenue	Gross profit	Margin	Revenue	Gross profit	Margin	
RMB'000	RMB'000	%	RMB'000	RMB'000	%	
Aluminum products	13,400,877	3,938,151	29.4	12,251,045	3,987,820	32.6
Steam	100,944	35,408	35.1	345,327	86,997	25.2
Total:	<u>13,501,821</u>	<u>3,973,559</u>	<u>29.4</u>	<u>12,596,372</u>	<u>4,074,817</u>	<u>32.3</u>

For the six months ended 30 June 2013, the overall gross profit margin of the Group's products decreased by approximately 2.9 percentage points to approximately 29.4% as compared with approximately 32.3% for the corresponding period of last year. This was mainly due to the decrease in unit sale price of aluminum products as compared with the corresponding period of the previous year, which resulted in the narrowing down of profit margin. The Group expects the gradual increase in ratio of self-supplied electricity to bring positive impacts to our overall gross profit margin.

### *Distribution and selling expenses*

The Group's distribution and selling expenses increased by approximately 5.8% to approximately RMB30,588,000 for the six months ended 30 June 2013 from approximately RMB28,909,000 for the corresponding period of last year, which was mainly attributable to an increase in sales volume of the Group's aluminum products and the corresponding increase of transportation fees.

### *Administrative expenses*

Administrative expenses of the Group for the six months ended 30 June 2013 amounted to approximately RMB221,121,000, representing an increase of approximately 68.5% as compared with approximately RMB131,264,000 for the corresponding period of last year. Such increase was mainly due to an increase in the number of administrative staff and their remuneration brought by the expansion of the Group's production scale, as well as the Group's building of new plant resulted in the increase in local tax payables and the increased issuance of the letter of credit for imported bauxite and production equipment resulted in the increase in bank charges.

### ***Other expenses***

For the six months ended 30 June 2013, other expenses of the Group amounted to approximately RMB5,493,000, which were mainly payment for the fees of professional parties engaged by the Group.

### ***Finance costs***

For the six months ended 30 June 2013, finance costs of the Group were approximately RMB687,837,000, representing an increase of approximately 164.9% as compared with approximately RMB259,684,000 for the corresponding period of the previous year. This was mainly due to an increase in total liabilities as compared with the corresponding period of the previous year, resulting in an increase in interest expenses charged to the Group.

### ***Liquidity and financial resources***

As at 30 June 2013, cash and cash equivalents of the Group were approximately RMB11,582,063,000, representing an increase of approximately 26.2% as compared with that of approximately RMB9,174,943,000 as at 31 December 2012.

The Group principally satisfies its demand for operating capital through cash inflow from operations. For the six months ended 30 June 2013, the Group had a net cash outflow from investing activities of approximately RMB8,137,732,000, a net cash inflow from financing activities of approximately RMB10,292,271,000 and a net cash inflow from operating activities of approximately RMB254,019,000.

For the six months ended 30 June 2013, the capital expenditures of the Group amounted to approximately RMB6,145,697,000, mainly for the expansion of its aluminum production capacity and construction projects of aluminum advanced processing facilities and ancillary captive power production facilities.

As at 30 June 2013, the Group had a capital commitment of approximately RMB17,744,155,000, representing capital expenditure in respect of acquisition of property, plant and equipment, primarily for the construction of the alumina production plant in Indonesia, the aluminum advanced processing facilities, as well as the production capacity expansion for aluminum products and the captive power production facilities.

For the six months ended 30 June 2013, the Group's average turnover days of trade receivables were approximately 2 days, representing an increase of 1 day as compared with approximately 1 day for the corresponding period of the previous year. This was mainly because of the Group's sales mode of settlement being payment on delivery and credit periods granted to clients of its aluminium alloy processed product segment. With the increasing sales volume of advanced processed aluminum products, the Group's average turnover days of trade receivables increased. However, the Group required prepayment before delivery of most aluminum products, and if the value of actual shipment exceeded the prepayment, the Group would grant its customers a credit period of not more than 90 days. Therefore, the Group's trade receivables turnover period was generally quite short.

For the six months ended 30 June 2013, the Group's turnover days of inventory were approximately 92 days, representing an increase of 47 days as compared with approximately 45 days for the corresponding period of the previous year, mainly as a result of an expansion in production scale of the Group, which in turn led to an increase in the inventory of raw materials required for its production, and an increase in work-in-process products as a result of the operation of the new production line for aluminum products.

### ***Income tax***

The Group's income tax for the first half of 2013 amounted to approximately RMB845,872,000, representing a decrease of approximately 17.0% as compared with approximately RMB1,019,400,000 for the corresponding period of the previous year, which was mainly attributable to the decrease of the Group's profit before taxation and the increase of deferred tax credit.

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

The net profit attributable to owners of the Company was approximately RMB2,810,012,000 for the six months ended 30 June 2013, representing a decrease of approximately 1.1% as compared with approximately RMB2,840,418,000 for the corresponding period of the previous year. The basic earnings per share of the Company for the Period were approximately RMB0.48.

### ***Interim dividends***

The Board do not recommend any interim dividends for the six months ended 30 June 2013 (corresponding period in 2012: Nil).

### ***Capital structure***

The Group has built an appropriate liquidity risk management framework to manage its short, medium and long-term funding and to satisfy its liquidity management requirements. Cash and cash equivalents of the Group amounted to approximately RMB11,582,063,000 as at 30 June 2013 (31 December 2012: approximately RMB9,174,943,000), which were mainly deposited with commercial banks. As at 30 June 2013, the total liabilities of the Group amounted to approximately RMB34,720,448,000 (31 December 2012: approximately RMB22,038,820,000). Gearing ratio (total liabilities to total assets) was approximately 59.2% (31 December 2012: approximately 49.7%).

As at 30 June 2013, the Group's total bank loans were approximately RMB19,288,320,000. 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 2013, approximately 33.6% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 66.4% were subject to floating interest rates.

The Group used its restricted bank deposits, oversea subsidiaries' equity interests, trade receivables, certain equipment and prepaid lease payments as collateral for its bank borrowings to finance part of its daily operations and project construction. As of 30 June 2013, the Group's secured bank borrowings amounted to approximately RMB4,368,371,000 (31 December 2012: approximately RMB2,914,424,000).

The Group maintains a balance between the continuity and flexibility of funds through bank loans. As at 30 June 2013, approximately 62.8% of the Group's bank borrowings will become due within one year.

As at 30 June 2013, the Group's bank borrowings were mostly denominated in RMB, US dollars and HK dollars, accounting for approximately 40.8%, 55.9% and 3.3% of the total bank borrowings, respectively. Cash and cash equivalents were mainly held in RMB, US dollars and HK dollars, of which 1.5% was held in US dollars and 1.1% of the cash and cash equivalents was held in HK dollars.

### ***Employee and remuneration policy***

As at 30 June 2013, the Group had a total of 31,872 employees, representing an increase of 8,296 employees as compared with the corresponding period of the previous year. As a result of the expansion of its production capacity during the Period, the Group recruited additional staff to meet the requirements of its production and enrich its reserve of human resources at the same time. During the Period, total staff costs of the Group amounted to approximately RMB741,950,000, representing approximately 5.5% of its total revenue. The remuneration packages of the employees include salary and various types of benefits.

In addition, the Group established a performance-based remuneration system under which employees may be awarded with additional bonuses. We provide training programs for our employees to equip them with the requisite skills and knowledge.

### ***Exposure to foreign exchange risk***

We collected all of our revenue in RMB and funded most of our capital expenditures in RMB. As certain bank balances and borrowings are denominated in foreign currencies, we are exposed to certain currency risks. As of 30 June 2013, our bank balances denominated in foreign currencies were approximately RMB305,508,000 and bank borrowings were approximately RMB11,418,120,000. For the six months ended 30 June 2013, the Group recognized foreign exchange gain of approximately RMB152,413,000.

For the six months ended 30 June 2013, the Group used financial instruments, being foreign currency forward contracts, to reduce exposure to exchange rate fluctuation. As at 30 June 2013, the derivative financial liability from the above foreign currency forward contracts was approximately RMB1,112,000.



## OUTLOOK

With the consistent support for areas such as infrastructure, transportation and consumptions and continuous integration of the aluminum industry by the Chinese government, China Hongqiao foresees an aluminum industry in China full of development opportunities. China Hongqiao is well positioned to seize new development opportunities.

For “integration of aluminum and electricity”, the Group’s goal is to further increase the Group’s ratio of self-supplied electricity to approximately 70% by the end of 2013, which will contribute to the Group’s control of production costs and enhancement of market competitiveness.

In terms of “integration of upstream and downstream businesses”, the Group will continue to be committed to expanding its production chain and enriching product types so as to realize continuous business growth. The alumina refinery established by the Group and relevant parties in Indonesia is expected to commence operation in 2015, of which phase I of the alumina production line with a designed annual production capacity of 1,000,000 tons has commenced construction. It will further stabilize raw material supply to the Group. On the other hand, the Group will continue extending into downstream businesses and continuing efforts in its projects, including the aluminum thermal continuous rolling project, so as to keep enhancing its level of aluminum processing technique and the economic benefits of the Group, which contributes to the long-term development of the Group.

In view of the ever-changing market environment, the Group is confident of reaping ahead substantial market returns. China Hongqiao will continue to pursue its objective of becoming a large-scale integrated aluminum product manufacturer comprising both leading cost advantages and vertically integrated production chain, and to enhance its own competitive edge and seize market opportunities, laying a sound foundation for future development.

## SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As of 30 June 2013, so far as it is known to any Director or chief executive of the Company, the following persons (other than the Directors or 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 pursuant to provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group as follows:

<b>Name of shareholder</b>	<b>Capacity/type of interest</b>	<b>Total number of shares held</b>	<b>Approximate percentage of shareholding in the issued share capital (%)</b>
Mr. ZHANG Shiping <sup>(1)</sup>	Interest of a controlled corporation	5,000,000,000	84.96
Ms. ZHENG Shuliang <sup>(2)</sup>	Spouse	5,000,000,000	84.96
Prosperity Eastern Limited <sup>(3)</sup>	Trustee	5,000,000,000	84.96
China Hongqiao Holdings Limited ("Hongqiao Holdings")	Beneficiary	5,000,000,000	84.96

*Notes:*

- (1) Mr. ZHANG Shiping is the legal and beneficial owner of the entire issued share capital of Hongqiao Holdings and is deemed to be interested in the shares of the Company held by Hongqiao Holdings.
- (2) Ms. ZHENG Shuliang, the spouse of Mr. ZHANG Shiping, is deemed to be interested in all the shares of the Company in which Mr. ZHANG Shiping is interested.
- (3) Prosperity Eastern Limited held these shares as trustee on behalf of Mr. ZHANG Shiping.

Save as disclosed above, as of 30 June 2013, no other person had any share, interest in shares or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

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

As at 30 June 2013, 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 Listing Rules of The Stock Exchange, were as follows:

### **Long positions in the shares of the Company**

<b>Name of director</b>	<b>Capacity/type of interest</b>	<b>Number of total shares held</b>	<b>Approximate percentage of shareholding in the issued shares (%)</b>
Mr. ZHANG Shiping <sup>(1)</sup>	Interest of a controlled corporation	5,000,000,000	84.96
Ms. ZHENG Shuliang <sup>(2)</sup>	Spouse	5,000,000,000	84.96

#### *Notes:*

- (1) The interests of Mr. ZHANG Shiping in the Company were held through its wholly-owned investment company Hongqiao Holdings.
- (2) Ms. ZHENG Shuliang, the spouse of Mr. ZHANG Shiping, is deemed to be interested in all the shares of the Company in which Mr. ZHANG Shiping is interested.

Save as disclosed above, as at 30 June 2013, none of the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 had or were deemed or taken to have an interest or short position 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 was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or 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 arrangement 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 2013 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 body corporate or had exercised any such right.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of the three independent non-executive Directors. An Audit Committee meeting was held on 9 August 2013 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013. The Audit Committee considered that the interim financial results for the six months ended 30 June 2013 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**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date of the Company to 30 June 2013 and up to the date of this announcement.

## **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 2013 and up to the date of this announcement.

## **COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE**

The Company has applied the principles as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules. For the six months ended 30 June 2013, the Group has complied with the mandatory provisions of the CG Code.

## **CONVERTIBLE BONDS**

Pursuant to the announcement of the Company issued on 21 March 2012 in relation to the proposed issue of US\$150,000,000 6.5% convertible bonds due 2017, all conditions precedent under the Subscription Agreement have been satisfied (or waived) and completion of the Subscription Agreement took place on 10 April 2012. For further details, please refer to the above mentioned announcement.

Approval has been granted for the listing of the Convertible Bonds on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Convertible Bonds have been listed and quoted on the SGX-ST with effect from 9:00 a.m. 11 April 2012. The SGX-ST’s approval in-principle granted for the listing of the Convertible Bonds is not to be taken as an indication of the merits of the Convertible Bonds. Approval for the listing of, and permission to deal in, the Conversion Shares has been granted by the Stock Exchange.

## **DISCLOSURE OF INFORMATION ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY**

The electronic version of this announcement will be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.hongqiaochina.com](http://www.hongqiaochina.com). The interim report will be dispatched to shareholders on or before 31 August 2013 and will be available on the Company’s website and the website of the Hong Kong Stock Exchange at the same time.

By Order of the Board  
**China Hongqiao Group Limited**  
**Zhang Shiping**  
*Chairman*

Shandong, the People’s Republic of China  
9 August 2013

*As at the date of this announcement, the Board of the Company comprises 9 Directors, namely Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Qi Xingli as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei as non-executive Directors, and Mr. Chen Yinghai, Mr. Xing Jian and Mr. Han Benwen as independent non-executive Directors.*