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 2017

RESULTS HIGHLIGHTS

- Revenue increased by approximately 82.1% to approximately RMB46,197,299,000 as compared with the corresponding period of last year
- Gross profit increased by approximately 6.0% to approximately RMB6,913,470,000 as compared with the corresponding period of last year
- Net profit attributable to owners of the Company decreased by approximately 54.8% to approximately RMB1,482,073,000 as compared with the corresponding period of last year due to provision for impairment of assets resulted by suspension of part of equipment after the Period and the increase in the prices of certain raw materials
- Basic earnings per share decreased by approximately 56.5% to approximately RMB0.20 as compared with the corresponding period of last year

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenue	4	**46,197,299**	25,375,416
Cost of sales		**(39,283,829)**	(18,854,474)
Gross profit		**6,913,470**	6,520,942
Other income and gains		**1,371,893**	358,398
Share of gains of associates		**191,427**	39,811
Selling and distribution expenses		**(148,992)**	(48,845)
Administrative expenses		**(744,422)**	(497,666)
Other expenses		**(3,406,943)**	(13,506)
Finance costs	5	**(2,069,803)**	(1,897,283)
Changes in fair value of derivatives		**(3,138)**	–
Profit before taxation		**2,103,492**	4,461,851
Income tax expense	6	**(609,501)**	(1,197,183)
Profit for the period		**1,493,991**	3,264,668
Attributable to:			
Owners of the Company		**1,482,073**	3,279,424
Non-controlling interests		**11,918**	(14,756)
		1,493,991	3,264,668
Other comprehensive (expense) income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**(59,304)**	35,490
		1,434,687	3,300,158
Total comprehensive income (expense) for the period attributable to			
Owners of the Company		**1,448,248**	3,301,073
Non-controlling interests		**(13,561)**	(915)
		1,434,687	3,300,158
Earnings per share	8		
– Basic and diluted (RMB)		**0.20**	0.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**As at 30 June 2017 (Unaudited) *RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**85,518,564**	86,658,456
Intangible assets		**14,643**	–
Prepaid lease payments		**3,547,890**	3,066,503
Investment properties		**155,722**	–
Deposits paid for acquisition of property, plant and equipment		**1,305,528**	1,745,089
Deposit paid for acquisition of land		**233,390**	443,390
Deferred tax assets		**1,314,928**	557,322
Interests in associates		**1,187,455**	944,796
Goodwill		**1,934,457**	311,769
Other financial assets		**10,767**	14,631
Available-for-sale investments		**6,000**	–
		95,229,344	93,741,956
CURRENT ASSETS			
Prepaid lease payments		**74,150**	56,152
Inventories		**18,108,977**	17,143,324
Trade receivables	*9*	**2,609,200**	363,314
Bills receivables		**10,396,914**	9,721,942
Prepayments and other receivables		**17,057,245**	8,242,544
Other financial assets		**3,279**	13,047
Restricted bank deposits		**404,886**	396,808
Cash and cash equivalents		**10,869,497**	12,842,380
		59,524,148	48,779,511
CURRENT LIABILITIES			
Trade payables	*10*	**13,128,485**	7,506,386
Other payables and accruals		**11,314,613**	12,603,276
Bank borrowings – due within one year		**16,133,055**	14,310,943
Other financial liabilities		**–**	1,691
Income tax payable		**805,416**	724,632
Short-term debentures and notes		**13,000,000**	11,000,000
Medium-term debentures and bonds – due within one year		**7,933,888**	731,664
Guaranteed notes		**2,026,813**	2,768,436
Deferred income		**32,259**	6,106
		64,374,529	49,653,134
NET CURRENT LIABILITIES		**(4,850,381)**	(873,623)
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,378,963**	92,868,333

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**As at 30 June 2017 (Unaudited) *RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
NON-CURRENT LIABILTIES			
Bank borrowings – due after one year		**6,005,211**	4,696,770
Deferred tax liabilities		**605,419**	578,097
Medium-term debentures and bonds – due after one year		**35,541,506**	39,720,060
Guaranteed notes		**–**	2,070,436
Deferred income		**143,188**	114,668
		42,295,324	47,180,031
NET ASSETS		**48,083,639**	45,688,302
CAPITAL AND RESERVES			
Share capital		**474,057**	474,057
Reserves		**45,772,503**	44,324,255
Equity attributable to owners of the Company		**46,246,560**	44,798,312
Non-controlling interests		**1,837,079**	889,990
TOTAL EQUITY		**48,083,639**	45,688,302

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability 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 ultimate 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 are principally engaged in the business of manufacture and sales of aluminum products.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its PRC subsidiaries. Other than those subsidiaries established in the People's Republic of China (the "PRC"), the functional currencies of the subsidiaries established in Indonesia is denoted in Indonesia Rupiah ("IDR").

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 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 (the "Listing Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

3. PRINCIPLE 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised IFRSs") issued by the IASB which are effective for the financial year beginning 1 January 2017.

Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle: Amendments to IFRS 12
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Loss

The application of the new and revised 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 condensed consolidated financial statements.

4. REVENUE

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from sales of aluminum products		
– molten aluminum alloy	**37,760,414**	23,563,616
– aluminum alloy ingots	**6,190,914**	706,730
– aluminum fabrication	**2,224,083**	1,091,871
Steam supply income	**21,888**	13,199
	46,197,299	25,375,416

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**490,120**	613,844
Interest expenses on other borrowings	**–**	929
Interest expenses on short-term debentures and notes	**238,833**	333,160
Interest expenses on medium-term debentures and bonds	**1,170,849**	592,502
Interest expenses on guaranteed notes	**183,404**	177,559
Foreign exchange losses, net	**–**	279,930
	2,083,206	1,997,924
Less: amounts capitalised under construction in progress	**(13,403)**	(100,641)
	2,069,803	1,897,283

6. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax:		
– Hong Kong Profit Tax	**3,364**	–
– PRC Enterprise Income Tax	**1,373,189**	1,265,206
	1,376,553	1,265,206
Deferred taxation	**(767,052)**	(68,023)
Total income tax expense for the period	**609,501**	1,197,183

7. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividends recognised as distribution during the period:		
2015 final dividends – HK15 cents per share	**–**	930,705

No dividend was paid or proposed by the Company during the Reporting Period.

Subsequent to the end of the reporting period, a final dividend of HK27 cents per share in respect of the year ended 31 December 2016 per share (31 December 2015: HK15 cents per share) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting (and at any adjournment thereof).

Subsequent to the end of the reporting period, a special dividend of HK20 cents per share in respect of the year ended 31 December 2016 per share (31 December 2015: nil) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting (and at any adjournment thereof).

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	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**1,482,073**	3,279,424

	Six months ended 30 June	
	2017	2016
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,259,766**	7,063,853

9. TRADE RECEIVABLES

Included in trade receivables are debtors (net of allowance for bad debt and doubtful debts) with the following ageing analysis presented based on date of delivery of goods, which approximates the respective revenue recognition dates:

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 3 months	**2,574,307**	355,508
3-12 months	**34,168**	7,806
Over 12 months	**725**	–
	2,609,200	363,314

The Group allows an average credit period of 90 days to its trade customers.

10. TRADE PAYABLES

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 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Within 6 months	**13,073,927**	7,462,550
6-12 months	**30,127**	31,927
1-2 years	**21,003**	7,541
More than 2 years	**3,428**	4,368
	13,128,485	7,506,386

The average credit period on purchases of goods is six months.

CHAIRMAN'S STATEMENT

To all shareholders,

On behalf of the Board (the "Board") of directors (the "Directors") of China Hongqiao Group Limited (the "Company" or "China Hongqiao"), I am pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "Period" or "Period under Review").

STAY TRUE TO OUR ORIGINAL ASPIRATION TO ACHIEVE STEADY DEVELOPMENT

The global economy continued to improve in the first half of 2017. The developed economies including the United States, EU and Japan recovered steadily in general. Among the emerging economies, China and India continued to spearhead the growth. However, the imbalanced global recovery, lacking in robust structural growth, still posed some risks and uncertainties. Domestic macroeconomic development momentum strengthened and the country's Gross Domestic Product ("GDP") achieved a year-on-year increase of approximately 6.9%, which reinforced the positive trend of overall stability. With continuous deepening of the national supply-side reform and the stabilisation of the aluminum price, demands for primary aluminum stayed at high levels.

During the Period, in respect of production and operation, the Group has stayed true to the original aspiration to achieve steady development and continued through the industrial model of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration", to accelerate the industrial cluster development, enhance the cost advantages and the economies of scale, and maintain its leading position in the global aluminum industry. For overseas businesses, the Group aligned its strategies with the "One Belt One Road" initiative of the PRC to expand its investment in the bauxite project in Guinea, Africa. After three years' efforts, the Group established a maritime "Aluminum Silk Road" of integrated logistic chain spanning across over 14,000 nautical miles of three counties from four directions, jointly with important partners domestic and overseas, creating a new international foothold for the aluminum industry. Furthermore, the Group continued its strategy of "multi-channels" and expanded bauxite supply in Australia, Republic of India, Federation of Malaysia and other regions. The Group's alumina project in Indonesia ran well and has been known as the "Best Example of International Production Capacity Cooperation of Chinese Enterprises". For domestic production, as the Group continuously enhanced its capability in managing upstream raw materials, the quality of bauxite has become very stable, thus enabling the Group to effectively control the raw material costs and to achieve reliable supply. As a result, the Group has achieved more effective cost control on the primary aluminum production.

RESULT PERFORMANCE

During the Period Under Review, the Group's aggregate production volume of aluminum products was approximately 3,995,000 tons (the corresponding period of 2016: approximately 2,707,000 tons), representing an increase of approximately 47.6% as compared with the corresponding period of 2016.

For the first half of 2017, total revenue of the Group amounted to approximately RMB46,197,299,000, representing a year-on-year increase of approximately 82.1%. Gross profit amounted to approximately RMB6,913,470,000, representing a year-on-year increase of approximately 6.0%. Due to the planned suspension of part of the Group's production during the Period in response to the relevant national supply-side reform of aluminum industry polices and approaches implemented by the government, the Group made provision for impairment of assets of approximately RMB3,361,587,000 during the Period, together with increases in the prices of certain raw materials, resulting in a year-on-year decrease of approximately 54.8% in the net profit attributable to owners of the Company to approximately RMB1,482,073,000. Basic earnings per share were approximately RMB0.20 (the corresponding period of 2016: approximately RMB0.46). The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2017.

MARCHING FORWARD TOGETHER THROUGH CHALLENGES

During the Period under Review, whilst the global economy recovered, there were still numerous challenges ahead with the increasingly tight geopolitical tensions, which cast a substantial uncertainty on world economic trend. The implementation of the domestic supply-side reform deepened with a wider scope and intensity. The Group proactively developed more prudent and comprehensive corporate governance rules and communicated the Group's business models and cost control edges with better transparency.

During the Period under Review, the Group reached the strategic agreement with the member enterprises of CITIC Group and entered into a "Headquarter to Headquarter" strategic cooperation agreement with China CITIC Bank Corporation Limited ("CITIC Bank") at the end of June 2017 in Beijing. Pursuant to this agreement, CITIC Bank will provide a composite credit facility of RMB20 billion to the Group in the next two years, and integrate various financial resources of CITIC Group to customise financial products for the Group and provide comprehensive financial services. Furthermore, the Group entered into a share placing agreement and a convertible bonds placing agreement with CTI Capital Management Limited and CNCB (Hong Kong) Investment Limited, respectively, in August 2017. The upgraded cooperation with CITIC Group will not only benefit the long-term development of the Group's operation. More importantly, it will also show the trust and confidence of CITIC Group, one of China's largest conglomerates, in our Group to achieve innovative financial and industrial development with the Group.

Since 2017, China's economic development focus has shifted to the structural adjustment, and as a result, the economy has been growing firmly and the primary aluminum consumption in China has maintained an overall steady increase driven by the rigid demand, the aluminum products export and the substitution effect. In the first half of 2017, China's macroeconomic statistics performed well within a reasonable range, industrial entities progressed steadily and the development of the aluminum industry met market expectations. The Group followed this trend and endeavored more attention to quality development and operation. While reinforcing the existing advantages, the Group focused on improving the technological element of the aluminum industry and ensured the sustainability of the rapid enterprise development.

STRIVING TO ACHIEVE GREATER HEIGHTS

In the first half of 2017, international and domestic aluminum markets have experienced rallies in prices and a shortfall in supply to match demand. Therefore, the Group remains optimistic towards the future prospect of the aluminum industry. Considering China's current economic momentum, the total consumption of primary aluminum will be able to maintain the sustained growth. With the continuous progression of urbanisation in China, and escalating city construction and rural consumption, the use of aluminum in construction and real estate, rail transportation and automobiles will be a key driver of the future demand. At the same time, the imminent demand for aluminum in household electrical appliances will also inject new vitality to the Group.

Going forward, the Group will actively support the implementation of the national supply-side reform and play a leading role in the industry; improve the current industrial model of "Integration of Aluminum and Electricity" and "Integration of Upstream and Downstream Businesses" to guarantee the supply of upstream bauxite and alumina, strategically expand marketing channels and establish an environment-friendly entire industrial chain of aluminum products. The Group will optimise the production process to achieve energy saving and efficiency improvement, and conduct diversified training to enhance employees' skills across the board, so as to maintain the Group's competitive edge in the market. For the capital market, the Group will continue to improve the effective communications with investors, make long-term planning for the financial structure and strengthen internal and external risk prevention.

APPRECIATION

I, on behalf of the Board, extend my sincere gratitude to the management and all employees of the Group for the strenuous dedication in the first half of 2017 as well as to all the shareholders, investors and business partners for the support and trust to the Group.

Zhang Shiping
Chairman of the Board

27 October 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Period under Review, due to favorable macro news on international aluminum price, an anticipation for intensified shortage of global supply of aluminum products to match demand and other factors, the aluminum price steadily went upwards and showed a strong rising momentum in the first quarter, once reached US$1,981 per ton. In the second quarter, under the combined influence of more macro risks, lower energy prices and other factors, the international aluminum price exhibited a month-by-month downward trend. During the Period, the average prices of spot aluminum and three-month aluminum futures at London Metal Exchange (LME) were approximately US$1,880 per ton and approximately US$1,886 per ton, respectively, representing an increase of approximately 21.8% as compared with the same period last year.

During the Period, the price of domestic aluminum futures demonstrated an increasing momentum in general. The price of aluminum was bolstered by a significant alleviation of supply and demand pressure in the domestic aluminum market at the beginning of 2017 and the low inventory level as compared with the corresponding period in recent years. Meanwhile, as the country developed the work program on environment protection and industrial governance, expectations in the aluminum market improved substantially. Besides, increases in prices of raw materials during the same period further contributed to the rebound of aluminum price. Three-month aluminum futures at SHFE hit a record high in the first half of the year and peaked at RMB14,930 per ton (including value-added tax ("VAT")) in April. Despite the subsequent drop caused by the weak spot market, the overall price still maintained at high levels in recent years. In terms of the aluminum price for the Period in general, the average prices of spot aluminum and three-month aluminum futures at SHFE amounted to approximately RMB13,685 per ton and approximately RMB13,809 per ton (including VAT for both), respectively, representing increases of approximately 18.9% and approximately 20.3%, respectively, as compared with the same period last year (source: Beijing Antaike Information Development Co., Ltd.（北京安泰科信息開發有限公司）, "Antaike").

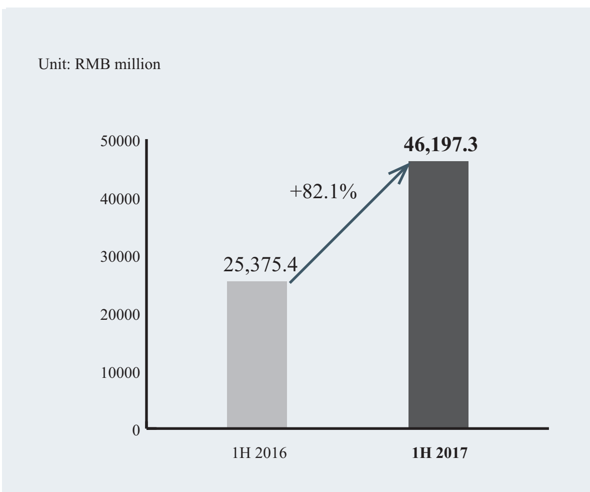
According to Antaike, in the first half of 2017, as aluminum prices continued to stay high, the profit of primary aluminum manufacturers rose significantly with ongoing improvements in capacity utilisation rate, the global production volume of primary aluminum increased steadily and reached approximately 31,230,000 tons, representing an increase of approximately 9.5% as compared with the corresponding period of 2016. As for demand, the global consumption of primary aluminum reached approximately 32,130,000 tons in the first half of 2017, representing an increase of approximately 7.3% as compared with the corresponding period of last year. Compared with the global market, as the aluminum market in China has been booming in both demand and supply aspects with strong growth momentum, in the first half of 2017, the domestic production volume of primary aluminum amounted to approximately 18,580,000 tons, representing an increase of approximately 19.9% as compared with the corresponding period of 2016; while China's consumption volume of primary aluminum amounted to approximately 17,530,000 tons, representing an increase of approximately 9.8% as compared with the corresponding period of last year.

BUSINESS REVIEW

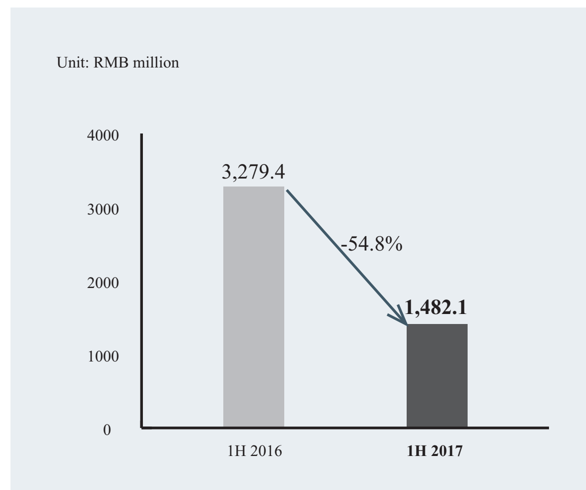
During the Period, the Group's total output of aluminum products amounted to approximately 3,995,000 tons, representing a year-on-year increase of approximately 47.6%. The production volume of aluminum alloy processed products reached approximately 204,000 tons, representing a year-on-year increase of approximately 48.4%.

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2017, together with comparison figures for the six months ended 30 June 2016, are as follows:

Unaudited revenue



Unaudited net profit attributable to owners of the Company



For the six months ended 30 June 2017, the Group recorded revenue of approximately RMB46,197,299,000, representing a year-on-year increase of approximately 82.1%, which was mainly due to the year-on-year increases in the Group's production volume and sales volume of aluminum products as compared with the corresponding period of last year and the increase in selling price of aluminum products during the Period, resulted from the expanded production capacity of aluminum products of the Group. During the Period, the aggregate sales volume of the Group's aluminum products and aluminum alloy processed products reached approximately 3,944,680 tons, representing an increase of approximately 55.9% as compared with approximately 2,530,356 tons in the corresponding period of last year. Due to the increase in the market price of aluminum in China, the average selling price of aluminum products was approximately RMB11,706 per ton (excluding VAT) in the first half of 2017, representing an increase of approximately 16.8% as compared with approximately RMB10,023 (excluding VAT) in the corresponding period of last year.

For the six months ended 30 June 2017, the net profit attributable to owners of the Company amounted to approximately RMB1,482,073,000, representing a year-on-year decrease of approximately 54.8%, mainly due to the fact that, on one hand, the prices increase of raw materials such as coal and carbon anode blocks during the Period jacked up the unit production cost of aluminum products, which resulted in a decrease in the gross profit margin, and on the other hand, in order to respond to the national supply-side reform of aluminum industry polices and approaches implemented by the government, the Group planned to suspend part of the production and made provision for impairment of assets of approximately RMB3,361,587,000, which resulted in the decrease in the net profit. The management of the Company will proactively seek various measures, including assets disposal and communication with the relevant governmental authorities on the industrial policies and plans, so as to make its best effort to mitigate the adverse effect brought by such suspension.

The following table shows the breakdown of revenue by products for the six months ended 30 June 2017 and 2016:

	Unaudited			
	For the six months ended 30 June			
	2017		2016	
Products	**Revenue** *RMB'000*	**Proportion of sales revenue to total revenue** *%*	Revenue *RMB'000*	Proportion of sales revenue to total revenue *%*
Molten aluminum alloy	**37,760,414**	**81.7**	23,563,616	92.8
Aluminum alloy ingots	**6,190,914**	**13.4**	706,730	2.8
Aluminum alloy processed products	**2,224,083**	**4.8**	1,091,871	4.3
Steam	**21,888**	**0.1**	13,199	0.1
Total	**46,197,299**	**100.0**	25,375,416	100.0

As for the products, the Group's revenue derived from aluminum products was approximately RMB46,175,411,000, accounting for approximately 99.9% of the total revenue for the six months ended 30 June 2017, among which, the revenue derived from molten aluminum alloy accounted for approximately 81.7% of total revenue, representing a decrease in proportion as compared with the corresponding period of last year, which was mainly due to the fact that the Group actively expanded its domestic aluminum alloy ingots market while satisfying the demand for molten aluminum within the aluminum industrial cluster where the Group's production base is located, resulting in a decrease in the proportion of molten aluminum. Revenue derived from sale of steam was approximately RMB21,888,000, accounting for approximately 0.1% of the Group's total revenue. The increase in revenue derived from sale of steam was mainly due to the increase in sale of steam of the Group in the Binzhou Economic Development Zone.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis on the Group's revenue, gross profit and gross profit margin derived from its major products for the six months ended 30 June 2017 and 2016, respectively:

	Unaudited For the six months ended 30 June					
	2017			2016		
Products	**Revenue** *RMB'000*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	Revenue *RMB'000*	Gross profit *RMB'000*	Gross profit margin *%*
Aluminum products	**46,175,411**	**6,912,005**	**15.0**	25,362,217	6,513,931	25.7
Steam	**21,888**	**1,465**	**6.7**	13,199	7,011	53.1
Total	**46,197,299**	**6,913,470**	**15.0**	25,375,416	6,520,942	25.7

For the six months ended 30 June 2017, the overall gross profit margin of the Group's products decreased by approximately 10.7 percentage points to approximately 15.0% as compared with approximately 25.7% for the corresponding period of last year. This was mainly because the prices of aluminum products have risen by approximately 16.8% while the prices of coal and carbon anode blocks increased by approximately 86.5% and 46.4% as compared with the corresponding period of last year and the increase in raw material prices led to the increase in the unit sales cost by approximately 34.0% while the increase in the selling price of aluminum products was far less than the increase in the unit sales cost of the aluminum products, resulting in the decline in the Group's gross profit margin. The Group will continue to strengthen the cost control and upgrade the production technology to enhance its competitiveness among the industry.

Distribution and selling expenses

For the six months ended 30 June 2017, the Group's distribution and selling expenses were approximately RMB148,992,000, representing an increase of approximately 205.0% as compared with approximately RMB48,845,000 for the corresponding period of last year, which was mainly due to, on one hand, the increased sales volume of the aluminum products of the Group and, on the other hand, the increase in the proportion of the aluminum alloy ingot products, which led to the increase in the average transport unit price.

Administrative expenses

For the six months ended 30 June 2017, administrative expenses of the Group amounted to approximately RMB744,422,000, representing an increase of approximately 49.6% as compared with approximately RMB497,666,000 for the corresponding period of last year. The main reason was the increase of the staff salary recognised in administrative expenses by the Group and other recognised expenses increased.

Finance costs

For the six months ended 30 June 2017, finance costs of the Group were approximately RMB2,069,803,000, representing an increase of approximately 9.1% as compared with approximately RMB1,897,283,000 for the corresponding period of last year. This was mainly due to the increase in total interest bearing liabilities during the Period as compared with that of the corresponding period of last year, resulting in an increase in interest expenses charged to the Group correspondingly.

Liquidity and capital resources

As at 30 June 2017, cash and cash equivalents of the Group were approximately RMB10,869,497,000, representing a decrease of approximately 15.4% as compared with approximately RMB12,842,380,000 as at 31 December 2016.

For the six months ended 30 June 2017, the Group had a net cash outflow from investing activities of approximately RMB15,576,344,000, a net cash inflow from financing activities of approximately RMB3,383,622,000 and a net cash inflow from operating activities of approximately RMB10,322,776,000.

For the six months ended 30 June 2017, the capital expenditure of the Group amounted to approximately RMB5,281,932,000, mainly for the expansion of its aluminum production capacity and construction of ancillary captive power production facilities and the alumina production base in Indonesia.

As at 30 June 2017, the Group had a capital commitment of approximately RMB2,293,223,000 representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the production capacity expansion of aluminum products, the construction of ancillary captive power production facilities and the alumina production base in Indonesia.

For the six months ended 30 June 2017, the Group's average turnover days of trade receivables were approximately 6 days, representing an increase of 1 day as compared with approximately 5 days for the corresponding period of last year. This was mainly because provisional credit period were granted to some premium clients for its aluminum products in order to strengthen the business relations with premium clients of aluminum products.

For the six months ended 30 June 2017, the Group's turnover days of inventory were approximately 82 days, representing a decrease of 45 days as compared with approximately 127 days for the corresponding period of last year, mainly because although the Group achieved a high increase in the production and sales volume of the Group's aluminum products during the Period, the Group strengthened its inventory management of each item and maintained its inventory at a reasonable and low level.

Income tax

The Group's income tax for the first half of 2017 amounted to approximately RMB609,501,000, representing a decrease of approximately 49.1% as compared with approximately RMB1,197,183,000 for the corresponding period of last year, mainly attributable to the decrease in the profit before income tax of the Group.

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

For the six months ended 30 June 2017, the Group's net profit attributable to owners of the Company was approximately RMB1,482,073,000, representing a decrease of approximately 54.8% as compared with approximately RMB3,279,424,000 for the corresponding period of last year. During the Period, the basic earnings per share of the Company were approximately RMB0.20.

Interim dividends

The Board did not recommend any interim dividends for the six months ended 30 June 2017 (corresponding period of 2016: nil).

Capital structure

The Group has established an appropriate liquidity risk management framework to manage its short, medium and long-term funding and to satisfy its liquidity management requirements. As at 30 June 2017, cash and cash equivalents of the Group amounted to approximately RMB10,869,497,000 (31 December 2016: approximately RMB12,842,380,000), which were mainly deposited with commercial banks.

As at 30 June 2017, the total liabilities of the Group amounted to approximately RMB106,669,853,000 (31 December 2016: approximately RMB96,833,165,000). Gearing ratio (total liabilities to total assets) was approximately 68.9% (31 December 2016: approximately 67.9%).

As at 30 June 2017, the Group's total bank borrowings were approximately RMB22,138,266,000. 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 2017, approximately 20.2% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 79.8% were subject to floating interest rates.

As at 30 June 2017, debts except bank borrowings of the Group including RMB13,000,000,000 of short-term notes, approximately RMB43,475,394,000 of medium-term notes and bonds as well as approximately RMB2,026,813,000 of guaranteed notes with interest rates ranging from 3.00% to 8.69% per annum. The issuance of such notes and bonds helps to reduce the Group's finance costs and optimise its debt structure.

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 30 June 2017, approximately 48.5% of the Group's debts will become due within one year.

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB4,850,381,000. The Group will continue to develop other financing channels by increasing part of the medium and long-term borrowings and adjusting the structure of debts. In addition, the Group will properly control the capital expenditure, 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. Having considered the fact that the Group did not encounter any difficulties in renewal of the short-term liabilities of the Group upon maturity, the Board is satisfied that the Group will be able to fulfill its financial obligations as they fall due in the foreseeable future.

As at 30 June 2017, the Group's liabilities were denominated in Renminbi and US Dollars, among which, Renminbi liabilities account for approximately 82.6% of the total liabilities, and US Dollars liabilities account for approximately 17.4% of the total liabilities. Cash and cash equivalents were mainly held as Renminbi and US Dollars, of which approximately 92.2% was held in Renminbi and approximately 4.7% was held in US Dollars.

Employee and remuneration policy

As of 30 June 2017, the Group had a total number of 56,509 employees, representing a decrease as compared with the beginning of the year, which was mainly attributable to the Group's implementation of the elimination system of the least competent for optimising human resources and motivating employees. During the Period, total staff costs of the Group amounted to approximately RMB1,840,879,000, representing approximately 4.0% of its total revenue. The remuneration packages of the employees include salaries and various types of benefits.

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

Exposure to foreign exchange risk

The Group collected almost all of the revenue in Renminbi and funded most of the capital expenditure in Renminbi. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings and guaranteed notes are denominated in foreign currencies, the Group is exposed to certain currency risks. As at 30 June 2017, the Group's bank balances denominated in foreign currencies were approximately RMB851,129,000 and its liabilities denominated in foreign currencies were approximately RMB14,970,694,000. For the six months ended 30 June 2017, the Group recognised foreign exchange gain of approximately RMB217,997,000.

The Group utilised financial instruments, which are foreign currency forward contracts and interest rate swap contracts, to reduce the risk of fluctuation in foreign currencies and interest rate for the six months ended 30 June 2017. As at 30 June 2017, the financial assets generated from the above contracts were approximately RMB14,046,000.

Contingent liabilities

As at 30 June 2017, the Group had no significant contingent liabilities.

OUTLOOK

Looking ahead, as the new objectives and new strategic planning announced in the 19th Communist Party Congress are gradually implemented, coupled with the impetus from the "One Belt One Road" initiative and the supply-side structural reform, the market demand for aluminum will strengthen persistently, which will bring more development opportunities to the Group.

The Group will deepen the implementation of the development strategies of "Integration of Upstream and Downstream Businesses", "Integration of Aluminum and Electricity", and "Global Integration", and continue to enhance the cost advantage and economies of scale leveraging scientific and technological innovation and environment-friendly production process, striving to enable its R&D and product supply closer to the market demand in China.

Facing the increasingly complex domestic and overseas economic and market environments, China Hongqiao will focus on its existing core businesses, stay to the original aspiration and actively carry out strategic framework and establish a sustainable aluminum development ecosystem with a forward-looking perspective, taking its root deeper in the country. The Group will endeavor more incremental efforts, into technological innovation, energy conservation and efficiency enhancement, committing to contributions to promote the overall economic development and transformation in China.

EVENT AFTER THE REPORTING PERIOD

Share Placing Agreement and CB Placing Agreement

On 15 August 2017, the Company entered into the Share Placing Agreement with CTI Capital Management Limited (the "Share Subscriber"), being an independent third party, pursuant to which the Share Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 806,640,670 Placing Shares at the Placing Price of HK$6.80 per Placing Share. Further details are set out in the announcement of the Company dated 15 August 2017.

On 15 August 2017 (after trading hours), the Company entered into the CB Subscription Agreement with CNCB (Hong Kong) Investment Limited (the "Purchaser") and CNCB (Hong Kong) Capital Limited (the "Lead Manager"), both being independent third parties, pursuant to which the Company has agreed to issue and the Lead Manager has conditionally agreed to procure the Purchaser to subscribe and pay for the Convertible Bonds on a best efforts basis. The Convertible Bonds will be issued with an initial principal amount of US$320,000,000. Further details are set out in the announcement of the Company dated 15 August 2017.

Suspension of Trading in the Shares of the Company

In November 2016, the Company was aware of a negative report (the "2016 Negative Report") from unknown source which contained untrue and unfounded allegations against the Company. The Company has refuted and/or clarified the truth against each allegation contained in the 2016 Negative Report on 20 December 2016. On 28 February 2017, the Company was aware of another negative report which was released by Emerson Analytics Co. Ltd. (the "2017 Negative Report", together with the 2016 Negative Report, the "Negative Reports"). The 2017 Negative Report also contained untrue and unfounded allegations, which included unfounded conjectures and doubts about the Group. On 28 February 2017 and 6 March 2017, the former auditor of the Company issued the letters (the "Letters") regarding to the certain circumstances that it considered which may affect the accuracy of financial statements of the Company (the "Audit Findings") to the Board and the audit committee of the Company, respectively. Taking into account that the time when the Company received the Letters was close to the deadline, i.e. 31 March 2017, for publishing the annual results of 2016 and that the Company failed to promptly sort out and address the Audit Findings with assistance of relevant institutions or the former auditor within the suggested time of the former auditor, therefore, the Company failed to publish the annual results of 2016 on or before 31 March 2017. For details, please refer to the announcement of the Company dated 31 March 2017. Trading in the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has been suspended with effect from 9:00 a.m. on Wednesday, 22 March 2017.

On 20 June 2017, the Board received a letter from the Stock Exchange, in which the Stock Exchange has stated the following conditions to resumption of trading in the Company's shares (the "Resumption Conditions"): (a) to address the Audit Findings and clarify the allegations set out in the Negative Reports; (b) to publish all outstanding financial results and address any audit qualifications; and (c) to inform the market of all material information.

The shareholders and potential investors of the Company should refer to the Company's announcement titled "Clarification Announcement" published on 25 October 2017 for further details.

Other Matters

On 12 April 2017, the National Development and Reform Commission of the People's Republic of China (the "PRC") (中國國家發展與改革委員會), the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部), the Ministry of Land and Resources of the PRC (中國國土資源部) and the Ministry of Environmental Protection of the PRC (中國環境保護部) jointly issued Notice of Specific Action Working Plans Regarding Regulating Unlawful Projects in Electrolytic Aluminum Industry (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通知》). The issuance of such policy manifests continuing promotion of the reform of the supply-side and healthy and stable development of Chinese aluminum industry by the PRC government.

Up to the date of this announcement, in response to the relevant governmental regulations, decisions and action plans in Chinese aluminum industry, Shandong Hongqiao, an indirect wholly-owned subsidiary of the Company, has shut down projects with annual production capacity of approximately 2,680,000 tons of aluminum products. Up to the date of this announcement, the total production capacity being shut down represented approximately 29% of the Group's total production capacity of aluminum products. Further details are set out in the announcement of the Company dated 15 August 2017.

The Company has recently noted that the Office of Shandong Province Binzhou Municipal People's Government* (山東省濱州市人民政府辦公室) issued the Notice Regarding Issuing the Implementation Plan of Peak Production for Industrial Enterprises for 2017-2018 of Binzhou Municipal* (《關於印發濱州市2017-2018年工業企業錯峰生產實施方案的通知》) (the "Notice"). Under the Notice, electrolytic aluminum plants in Binzhou City were required to cut production by more than 30% (based on the number of electrolytic tanks) from 15 November 2017 to 15 March 2018 in an attempt to reduce pollution in the coming winter months in the PRC.

The Group will implement the requirements stated in the Notice, and expects the reduction in the aluminum production to be approximately 4% of the annual total production amount for the year 2017 and an approximately further 8% of the annual total production amount for the year 2018 (assuming the production capacity of the Group remains unchanged). However, with the gradually increasing application of the aluminum products in areas including the light-weighting of automobile, high speed rail and aerospace, the consumption amount of aluminum products is expected to continuously increase, which will lead to an increase of the demand for the products in the Chinese aluminum industry. This will lead to a further increase in the price of aluminum, and will have a positive effect on the cash flow of the Group, which will contribute to enhancing the Group's profitability.

In the meantime, the management of the Company will proactively seek various measures, including communication with the relevant governmental authorities on the industrial policies and plans, so as to make its best effort to mitigate the adverse effect brought by the Notice. As at the date of this announcement, the Company notes that certain local governments have issued the relevant policy decisions regarding "differential treatment" of industrial enterprises, giving production priority to environmentally-friendly enterprises while placing limitations on high-polluting units, which constitute an environmentally-friendly differential regulatory mechanism. This further strengthens the policy guidance to compel enterprises to take the initiative to implement environmentally-friendly reforms, thereby accelerating their transformation towards a green development model. As at the date of this announcement, the production and operation and financial conditions of the Group remained normal.

SUPPLEMENTARY INFORMATION

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

As at 30 June 2017, so far as it is known to any Director or chief executive of the Company, the following persons and corporations (other than the Directors and 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") (Chapter 571 of the Laws of Hong Kong), 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:

Long positions in the shares of the Company

Name of shareholder	Capacity/type of interest	Total number of shares held	Approximate percentage of the total issued share capital as at 30 June 2017 (%)
Mr. ZHANG Shiping (1)	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang (2)	Interest of spouse	5,889,024,573	81.12
Shiping Prosperity Private Trust Company (3)	Trustee	5,889,024,573	81.12
China Hongqiao Holdings Limited ("Hongqiao Holdings")	Beneficial owner	5,889,024,573	81.12

Note (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.

Note (2): Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in the shares of the Company in which Mr. Zhang Shiping is interested.

Note (3): Shiping Prosperity Private Trust Company held these shares as trustee on behalf of Mr. Zhang Shiping.

Save as disclosed above, as at 30 June 2017, there is 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 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 2017, 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 of long positions in the shares of the Company in the total issued share capital as at 30 June 2017 (%)
Mr. ZHANG Shiping [(1)]	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang [(2)]	Interest of spouse	5,889,024,573	81.12
Mr. ZHANG Bo [(3)]	Beneficial owner	8,870,000	0.12

Note (1): The interests of Mr. Zhang Shiping in the Company were held through its wholly-owned investment company Hongqiao Holdings.

Note (2): Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in the shares of the Company in which Mr. Zhang Shiping is interested.

Note (3): Mr. Zhang Bo is the son of Mr. Zhang Shiping and Ms. Zheng Shuliang.

Save as disclosed above, as of 30 June 2017, none of the Directors and 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 2017 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 27 October 2017 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017. The Audit Committee considers that the interim financial results for the six months ended 30 June 2017 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 from the listing date of the Company to 30 June 2017 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 2017 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 CG Code of Appendix 14 to the Listing Rules. For the six months period ended 30 June 2017, the Company has complied with the mandatory code provisions of the CG Code.

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

The electronic version of this results announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.hongqiaochina.com at the same time. The interim report will be dispatched to the shareholders on or before 6 November 2017 and will be available on the Company's website and the website of the Stock Exchange.

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

Shandong, the People's Republic of China
27 October 2017

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