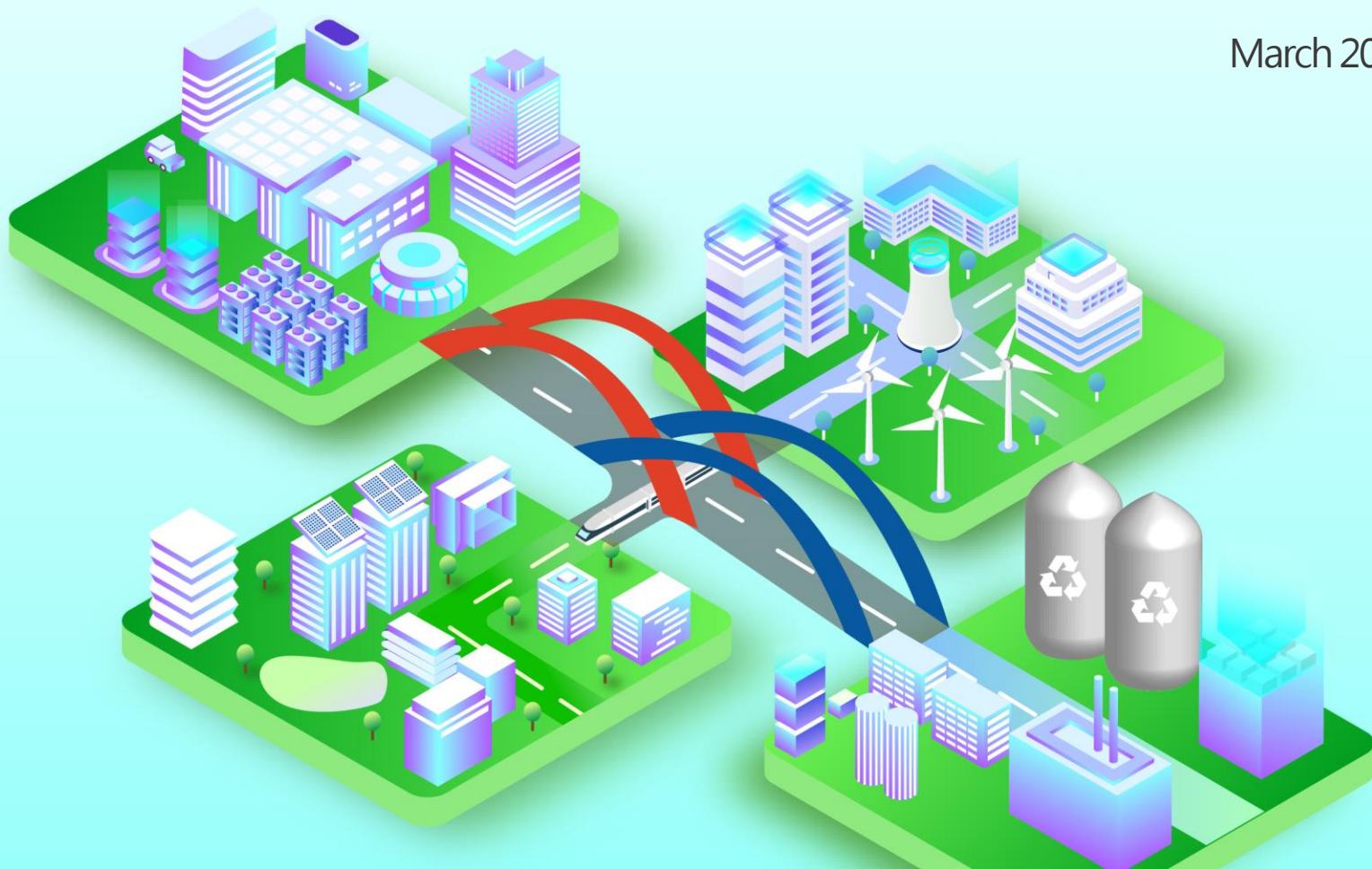




China Hongqiao Group Limited  
中國宏橋集團有限公司

# 2022 Annual Results Announcement

March 2023





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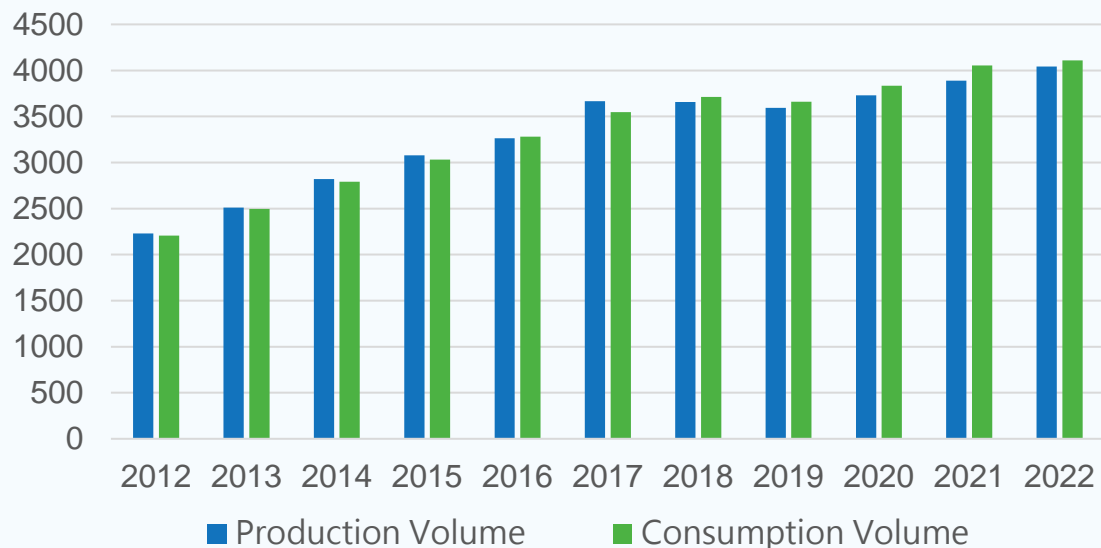




# 2022 Global Supply and Demand of Primary Aluminum Industry

## China's Production and Consumption of Primary Aluminum

('0000 tonnes/year)



≈ **40,330,000 tonnes** ↑ **3.7%**  
YOY

China's production volume of primary aluminum

≈ **41,090,000 tonnes** ↑ **1.8%**  
YOY

China's consumption volume of primary aluminum

≈ **68,930,000 tonnes** ↑ **2.0%**  
YOY

Global production volume of primary aluminum

≈ **69,490,000 tonnes** ↑ **1.5%**  
YOY

Global consumption volume of primary aluminum

Source: Antaika

## Demand

- Overseas aluminum consumption showed strong growth in H1 and became sluggish in H2. While the full-year consumption volume maintained the momentum of growth, the growth was slowing significantly.
- In China, due to the weak global economic environment, the growth in the domestic primary aluminum consumption was slow.

## Supply


- In respect of the overseas market, there was production reduction on a large scale, while the market saw a dramatic growth in demand, with the shortage in supply holding up, but the gap was narrowed.
- As for the domestic market, there was an increase in both the demand and supply of the primary aluminum. The increase in primary aluminum exports stoked tensions of domestic supply to some extent and the primary aluminum in stock continued to decline.






## 2022 Aluminum Price Trends

≈**2,703**USD/tonne  
Average prices of LME  **9.0%**  
YOY

≈**2,713**USD/tonne  
Average prices of LME 3-  
month aluminum futures  **9.1%**  
YOY

≈**19,950**RMB/tonne  
Average prices of SHFE  **5.3%**  
YOY

≈**19,837**RMB/tonne  
Average prices of SHFE 3-  
month aluminum futures  **5.0%**  
YOY

### Aluminum Price Trend of LME and SHFE



Source: Antaike

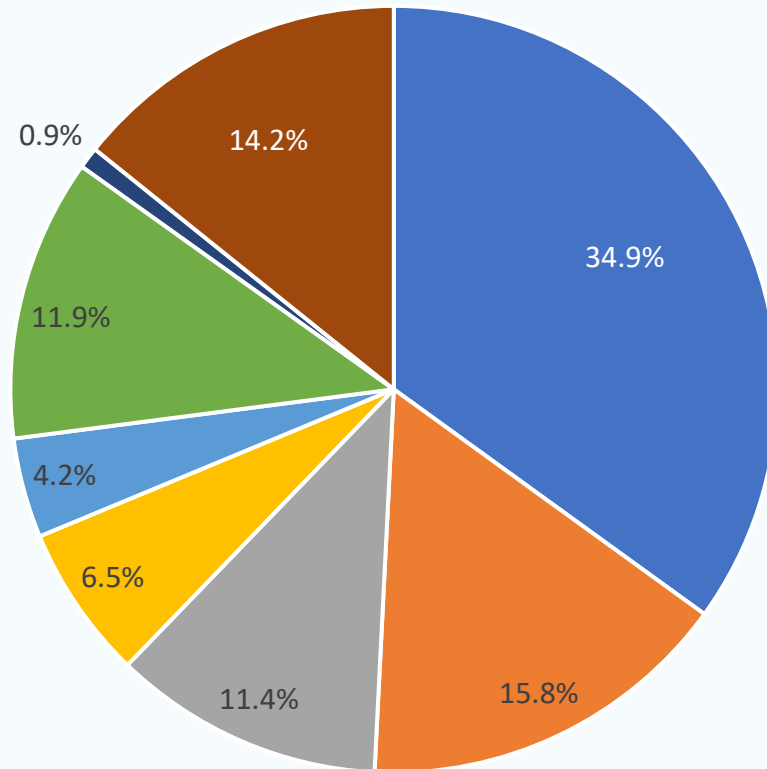
- In respect of the overseas market, the geopolitical conflicts and the energy crisis led to the tight supply of global goods and the increase in cost. Meanwhile, the sweeping outbreak and escalation of regional conflicts also weighed on the overseas aluminum sector. The tight supply of overseas aluminum and the challenge in logistics led to a sharp rise in spot prices, which caused a surge in aluminum futures prices.
- As for the domestic market, affected by the overall economic headwinds, the metal prices fell from their highs and continued to decline. Although global macro pessimism improved in H2 and the aluminum prices bottomed out, the rebound was limited due to the continued downturn in demand.





# Primary Aluminum Consumption in China

## 2022 China Primary Aluminum Market Breakdown



- Construction and Infrastructure
- Electronic Power
- Durable Goods
- Packing
- Machinery
- Transportation
- Others
- Exportation of aluminum and aluminum alloy

- In 2022, China accounted for approximately 58.0% of global primary aluminum production, and accounted for approximately 56.9% of global primary aluminum consumption. Both China's production and consumption of primary aluminum saw an increase year-over-year.
- According to the 2022 China Primary Aluminum Market Breakdown, **construction and infrastructure, electronic power, transportation and durable goods** accounted for the highest proportion of the consumption. In 2022, aluminum consumption in these sectors accounted for 74% of the total consumption.
- From the perspective of industry prospects in 2023, the new energy sector and new infrastructures including photovoltaic, new energy vehicles and UHV (Ultra-high voltage) are projected to continue to fuel a surge in consumption. The traditional real estate sector, which still accounts for the highest proportion of the consumption in domestic primary aluminum market, is expected to see a gradual recovery in primary aluminum consumption in Q2 2023. At the same time, with the efforts to boost the economy and the implementation of policies related to domestic demand expansion, the overall demand will maintain a growth momentum, and the growth in primary aluminum consumption is estimated to be higher than that in 2022.



Source: Antaika



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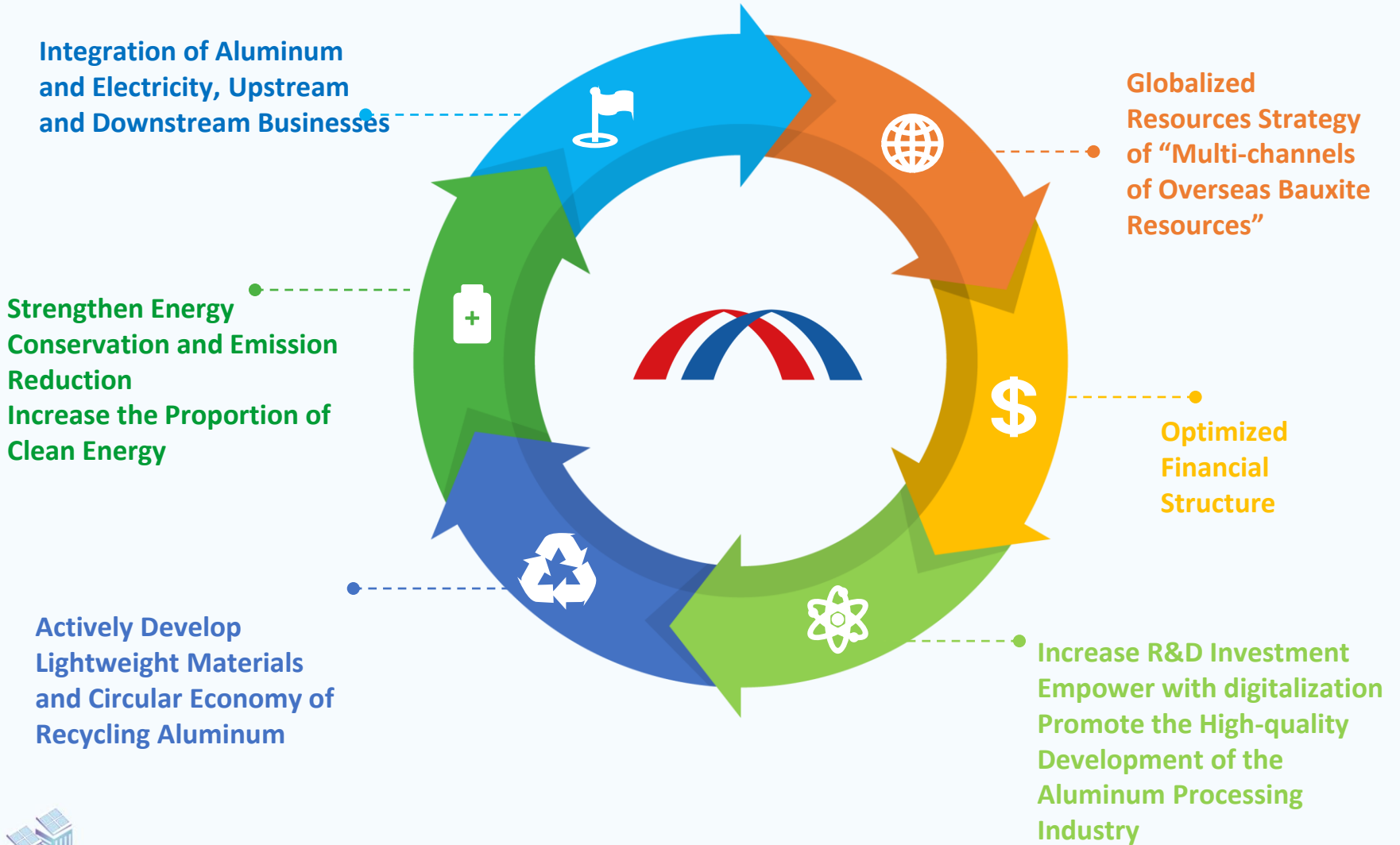
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# Vertically Integrated Business Model

## Bauxite

- Development and improvement of bauxite mining projects in Guinea, Africa
- Diversified bauxite supply channels in Australia



## Power

- In addition to captive power plants, we further utilize clean energy sources such as hydropower and photovoltaic power to keep increasing the proportion of production capacity from clean energy



## Alumina

- During 2022, domestic and Indonesia alumina plants with annual capacity of respectively 17.50mn tonnes and 2mn tonnes, total annual capacity 19.50mn tonnes
- In 2022, we expanded our alumina market activities which enjoyed strong production and sales volumes; the revenue from alumina product is RMB 21.40bn, accounting for approximately 16.2% of the total revenue



## Aluminum

- During 2022, the capacity of the primary aluminum plant was 6.46mn tonnes/year
- The revenue from primary aluminum product is RMB 96.23bn in 2022



## Aluminum Fabrication

- During 2022, the output of aluminum alloy fabrication was approximately 658 thousand tonnes
- Increase product added value and further enhance profit margin by increasing spending on R&D and digital empowerment
- The revenue from aluminum fabrication product is RMB 13.30bn during 2022



Upstream

Midstream

Downstream





### Guinea

- During 2022, China Hongqiao maintained annual bauxite capacity of approximately 50mn tonnes in Guinea project

### Indonesia

- The Well Harvest Winning alumina project of in Indonesia has an annual alumina capacity of at least 2mn tonnes
- During 2022, China Hongqiao maintained smooth operation of the 1-million-tonne phase 1 alumina project in Indonesia
- The 1-million-tonne phase 2 alumina project commenced operation in 2022

### Other Countries

- China Hongqiao adopted multi-channel strategy and expanded bauxite supply from Australia, Indonesia and other regions



## Increased Investment in Technological Innovation

### Achieved Overall Efficiency Optimization

Apply the world's most advanced electrolysis technology, stress digital empowerment

- Received the achievements from NEUI600KA aluminum electrolytic cell technological development and scientific technology of industrialization application of Weiqiao Aluminum and Power\*, and awarded the first prize of China Nonferrous Metal Industry Science and Technology Award in 2016
- Following a national-level green factory of 2021, Shandong Hongqiao\* was awarded an intelligent manufacture demonstration factory of 2022 by four departments including the MIIT and the NDRC
- Shandong Hongqiao's data center project "Hongqiao HQCloud Industry Internet Platform" was included in the Provincial Industry Internet Platform List 2022
- Four subsidiary companies including Zouping Hongfa Aluminum Technology Co., Ltd\*, Binzhou Hongzhan Aluminum Technology Co., Ltd\*, Shandong Hongchuang Aluminum Industry Holding Company Limited\* and Yunnan Hongtai New Material Co., Ltd\* have passed the ASI Performance Standard V2(2017) Certification



Continuously improve the level of existing technologies to reduce energy consumption

- Adopt non-electric pump system to reduce electricity consumption in alumina production
- Adopt start-up through intermediate pressure cylinder technology to reduce energy consumption during commissioning and production
- Use a fully intergraded production line with a one-million-tonne annual capacity of alumina to improve equipment operating efficiency and reduce energy consumption
- China Hongqiao has been listed on the MIITs energy efficiency "leader" for three times and was the only aluminum company on the list
- Shandong Hongqiao was awarded a national-level green factory of 2021
- Zouping Hongfa Aluminum Technology Co., Ltd was included in the "Green Factory Demonstration List 2022 of Shandong Province" and awarded the prize of "2022 EcoVadis Corporate Social Responsibility Achievement"
- With a gradually increasing proportion of clean energy used, we take the lead in the industry to realize ultra-low emissions of thermal power, alumina, and aluminum, which is only 15% of the national level set in the "Emission standard of pollutants for aluminum industry".
- At present, the Group has two state-level green factories and two provincial-level green factories.

*\*Weiqiao Aluminum and Power, Shandong Hongqiao, Zouping Hongfa Aluminum Technology Co., Ltd, Binzhou Hongzhan Aluminum Technology Co., Ltd, Shandong Hongchuang Aluminum Industry Holding Company Limited and Yunnan Hongtai New Material Co., Ltd are subsidiaries of the Company*



## Green transform to build an environmental friendly aluminum production chain

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### Accelerated construction of the Yunnan green aluminum innovation industrial park

- The production capacity of Yunnan Hongtai green aluminum project is 2.03mn per year and the relocation of the first 1mn tonnes has been completed
- Achieved hydropower green aluminum production, 100% in-situ transformation of molten aluminum, and the in-situ deep processing rate of aluminum alloys reached over 80%
- The equipment, technical process and automation control in the park have reached an international-leading level in the industry
- Amid the 27th Conference of the Parties of the UNFCCC (COP 27), the industrial park was included into the Climate Action 100+ of 2022

### Developed recycling aluminum and circular economy project

- Joined hands with Germany's Scholz China GmbH to form a joint venture company; Hongqiao Hong Kong and Scholz contributed an equity capital contribution to the Joint Venture Company respectively
- First vehicle dismantling production line in the Sino-German Hongqiao Scholz Circular Economy Science & Technology Park has been put into operation while the one-stop service for scrapped vehicles was officially launched
- Launched green low-carbon aluminum brand HQALight and recycled aluminum brand HQALoop
- Focused on R&D and production of recycling aluminum, scrapped vehicle, white goods recycling, battery recycling and recycling technology

### Built a lightweight material R&D and manufacturing base

- Focused on the production of all-aluminum auto sheet and automotive components
- Steadily advancing the construction of the Group's lightweight aluminum base
- "Aluminum-Based Transportation Lightweighting" technology demonstration project--major sci-tech innovation project in Shandong Province kicked off



## Continuously optimized financial structure



- Shandong Hongqiao applied various refinancing channels to pay off matured on shore bonds, with the total amount of bonds paid off being approximately RMB 5.1bn
- In July 2022, China Hongqiao utilized its own funds to pay off overseas matured bonds to boost investors' confidence, with the total amount of bonds paid off being approximately USD0.3bn
- Interest-bearing debt decreased by appr. RMB 1.2bn from the same period last year to approximately RMB 60.1bn
- Utilized various debt financing instruments to maintain the continuity and flexibility of financing

- Shandong Hongqiao successfully issued eight corporate bonds, short-term financing bonds and medium-term notes worth 8 billion yuan totally, with interest rates in the range of 3.47%-4.5%, heavily oversubscribed by domestic and foreign investors
- Continued to develop multiple financing channels with domestic and overseas banks



## Develop multiple financing channels with domestic and overseas markets

## Continuous support from banks



- Strive to establish continuous and deep cooperation with various local and international banks
- Further deepen cooperation with existing banks in the future

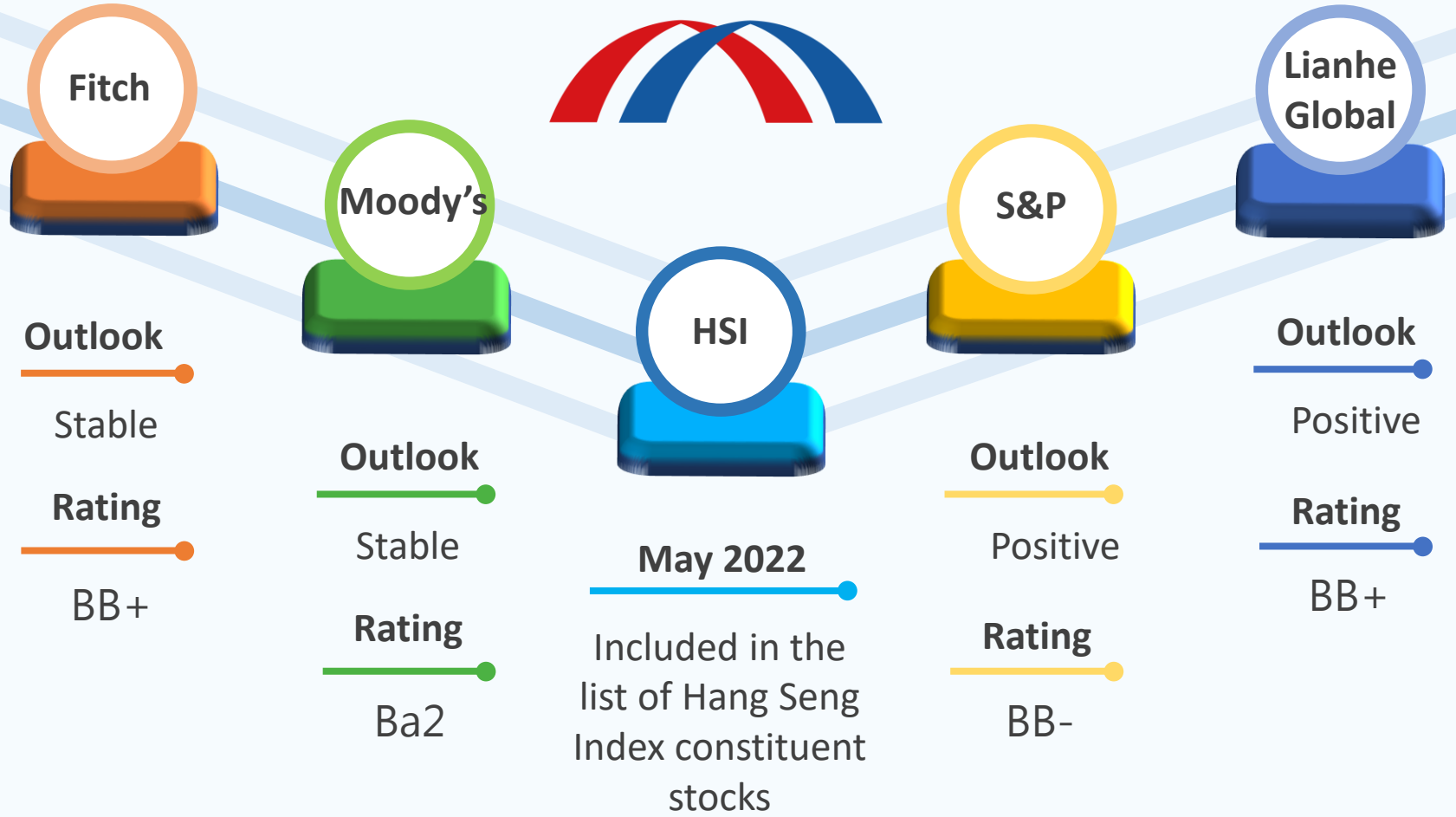


**Gearing ratio decreased from approximately 50.9% at the end of 2021 to approximately 48.2% as of the end of 2022**





# Recognition from International Institutions and Rating Agencies



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# Financial Summary

(RMB million)	2022	2021	Variance
Revenue	131,699	114,491	+ 15.0%
Gross profit	18,239	30,453	- 40.1%
Gross profit margin	13.8%	26.6%	- 12.8pp
Profit for the year	9,809	16,849	-41.8%
Net profit attributable to owners	8,702	16,073	- 45.9%
Basic earnings per share	RMB 0.9358	RMB 1.7720	- 47.2%
Net profit margin	7.4%	14.7%	- 7.3pp
Final dividend/per share	HK 10 cent	HK 60 cent	- 83%
Full-year dividend/per share	HK 51 cent	HK 105 cent	- 51.4%



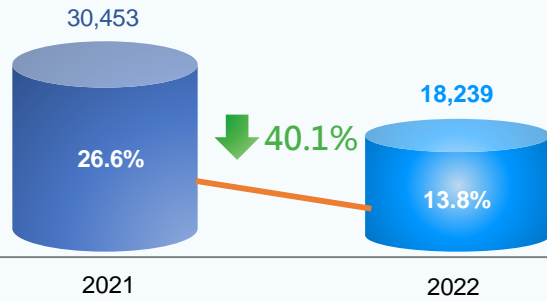




# Profitability

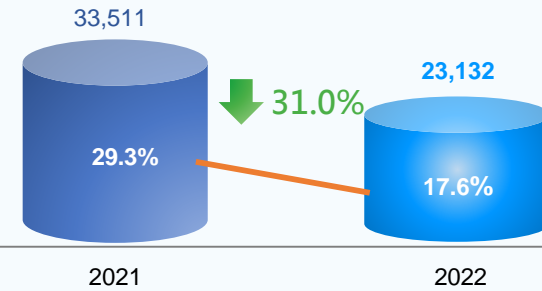
Gross profit (RMB million)

■ Gross profit    ■ Gross profit margin



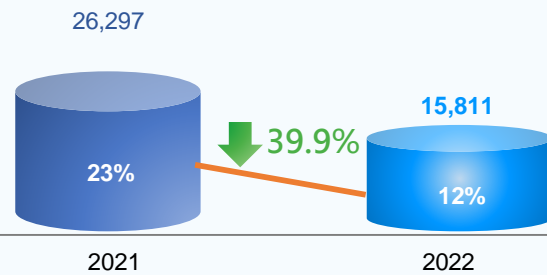
EBITDA (RMB million)

■ EBITDA    ■ EBITDA margin



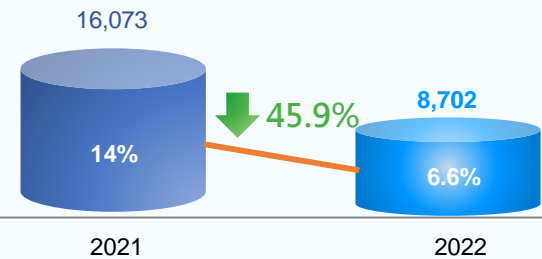
EBIT (RMB million)

■ EBIT    ■ EBIT margin



Net profit attributable to owners (RMB million)

■ Net profit attributable to our owners    ■ Net profit margin to our owners





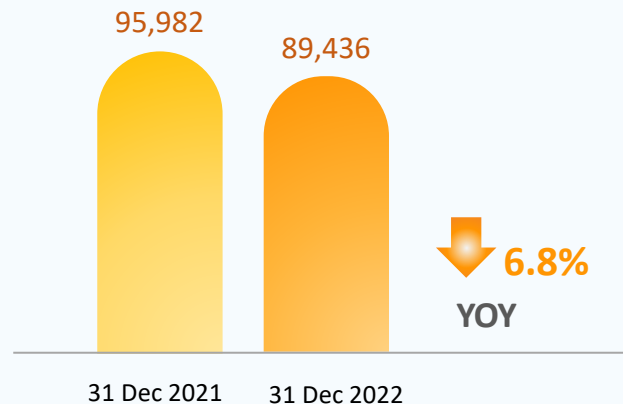
# Liquidity and Financial Position



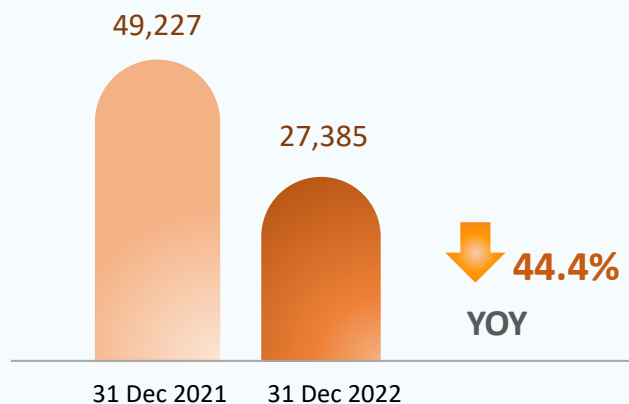
## Total asset (RMB mn)



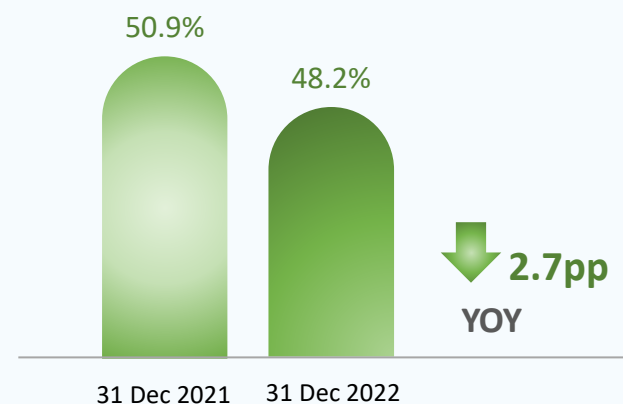
## Total liabilities (RMB mn)



## Cash and cash equivalents (RMB mn)



## Gearing ratio (RMB mn)



\*Gearing ratio= total liabilities / total assets



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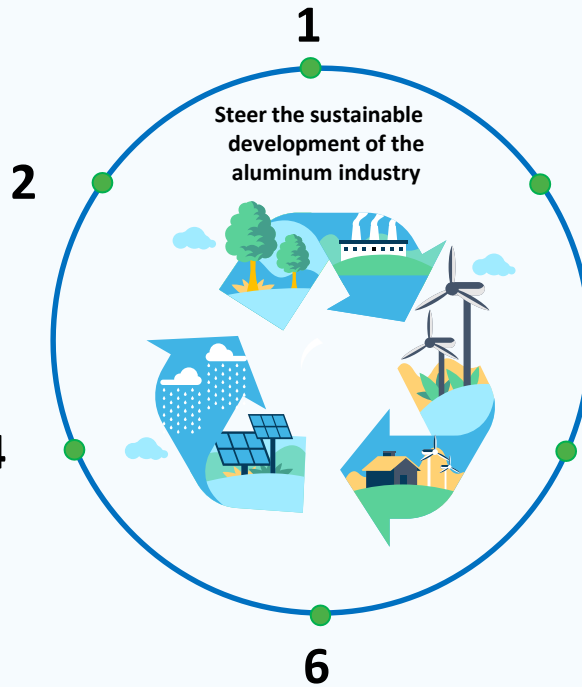
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## Integration of Aluminum & Electricity

- Further strengthen the cost advantages



### Integration of Upstream & Downstream Businesses

- Further promote the Integration of Upstream & Downstream Businesses and the Development of Surrounding Aluminum Processing Industry

### Globalization

- Secure a Stable Supply of Upstream Raw Materials through Globalization

### Optimization in Capital and Financial Structure

- Dedicated to maximizing shareholder value

### Improvement in Technology Upgrade and Environmental Protection R&D

- Continue to invest in R&D and endeavor to achieve zero carbon emissions in the shortest time possible

### Increase the Use of Clean Energies

- Diversify the Energy Structure

With the completion of industrial layout, China Hongqiao will continue to enhance the cost advantages and the economies of scale, and maintain its leading position in the global aluminum industry





**Thank You!**

