

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

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

**INTERIM REPORT**  
**2016**



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# Corporate Information

## EXECUTIVE DIRECTORS

Zhang Shiping (*Chairman*)  
Zheng Shuliang (*Vice Chairman*)  
Zhang Bo (*Chief Executive Officer*)

## NON-EXECUTIVE DIRECTORS

Yang Congsen  
Zhang Jinglei

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian  
Chen Yinghai  
Han Benwen

## CHIEF FINANCIAL OFFICER

Zhang Ruilian

## COMPANY SECRETARY

Zhang Yuexia

## AUDIT COMMITTEE

Han Benwen (*Chairman*)  
Xing Jian  
Chen Yinghai

## NOMINATION COMMITTEE

Xing Jian (*Chairman*)  
Zhang Shiping  
Han Benwen

## REMUNERATION COMMITTEE

Han Benwen (*Chairman*)  
Zhang Shiping  
Xing Jian

## AUTHORISED REPRESENTATIVES

Zhang Bo  
Zhang Yuexia

## PLACE OF BUSINESS IN HONG KONG

Suite 5108, The Center  
99th Queen's Road Central  
Central  
Hong Kong

## HEAD OFFICE IN THE PRC

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

## CAYMAN ISLANDS REGISTERED OFFICE

Floor 4, Willow House  
Cricket Square, P O Box 2804  
Grand Cayman KY1-1112  
Cayman Islands

## LEGAL ADVISORS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

## INTERNATIONAL AUDITORS

Ernst & Young

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### **CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road  
George Town  
Grand Cayman KY1-1110  
Cayman Islands

### **INVESTOR RELATIONS DEPARTMENT OF THE COMPANY**

Wong Yuting  
Tel: (852) 2815 1080  
Fax: (852) 2815 0089  
Email: christine@hongqiaochina.com

### **STOCK CODE**

1378

### **LISTING PLACE**

Main Board of The Stock Exchange of Hong Kong Limited

### **LISTING DATE**

24 March 2011

### **NUMBER OF ISSUED SHARES AS AT 30 JUNE 2016**

7,259,766,023

### **INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT**

Bell Pottinger  
Tel: (852) 3703 3600  
Email: Hongqiao@bellpottinger.com  
Address: 15/F, Central 88, 88-98 Des Voeux Road  
Central, Hong Kong

### **FINANCIAL YEAR END**

31 December

### **FINANCIAL CALENDAR**

Interim Results Announcement Date  
12 August 2016

### **COMPANY WEBSITE**

[www.hongqiaochina.com](http://www.hongqiaochina.com)

## Financial Highlights

(Unaudited financial data prepared in accordance with the IAS)

	For the six months ended 30 June		
	(RMB'000)		
	2016	2015	Change
Revenue	<b>25,375,416</b>	22,452,778	+13.0%
Gross profit	<b>6,520,942</b>	5,236,102	+24.5%
Gross profit margin (%)	<b>25.7</b>	23.3	+2.4p.p.
Net profit margin (%)	<b>12.9</b>	12.1	+0.8p.p.
Net profit attributable to owners of the Company	<b>3,279,424</b>	2,718,123	+20.7%
Basic earnings per share (RMB)	<b>0.46</b>	0.43	+7.0%

	As at 30 June		
	(RMB'000)		
	2016	2015	Change
Cash and cash equivalents	<b>12,586,387</b>	6,712,867	+87.5%
Total capital (total equity + total debt)	<b>109,635,851</b>	81,527,099	+34.5%
EBITDA/Interest coverage ratio	<b>5.6</b>	7.7	-2.1 times
Debt/EBITDA (times)	<b>3.7</b>	3.1	+0.6 times
Debt/Total capital (%)	<b>61.7</b>	57.1	+4.6p.p.
Accounts receivable turnover (days)	<b>5</b>	9	-4 days
Accounts payable turnover (days)	<b>54</b>	36	+18 days
Inventory turnover (days)	<b>127</b>	118	+9 days

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 2016 (the “Period” or “Period under Review”).

### **CONTINUOUS PURSUIT OF STRATEGIES TO SOLIDIFY CORE COMPETENCE**

In the first half of 2016, the global financial market was shaken by a number of major events, including the slower growth of the global economy, global trade slowdown and Britain's vote to leave the European Union. In view of its L-shaped economic growth, China's economic transformation has become more difficult. Nevertheless, China's economic development remains fundamentally stable and positive. During the first half of the year, China's Gross Domestic Product (GDP) increased by 6.7% from the same period last year, which was 2.8 times of the average growth rate of the world economy, and contributed 26.3% of the world's economic growth. With the gradual introduction of the 13th Five-Year Plan, the Chinese government has set clear development goals for the aluminum industry that emphasize not only quantity increase but more importantly quality improvement. The implementation of supply side reform is beneficial to quality enterprises in a sense that they can grow healthily and strengthen the core competitiveness.

During the Period, China Hongqiao's strategic planning has resulted in major achievements in various aspects. With continuous efforts in promoting “Integration of Aluminum, Electricity and Grid”, “Integration of Upstream and Downstream Businesses” and “Global Integration”, the Group continuously accelerated the development of industrial cluster, enhanced its cost advantages and the economies of scale, and increased its competitiveness in the global aluminum industry. For overseas businesses, the Group aligned its strategies with the country's “One Belt One Road” strategic initiative to expedite its “Going Out” plans. The Group's bauxite project in Guinea, Africa experienced positive development. Furthermore, the Group continued its strategy of diversifying bauxite supply channels in Australia, Brazil, Republic of India and Federation of Malaysia. In the first half of 2016, the Group completed the construction of its one million ton alumina production line in Indonesia, which is the first phase of the joint venture project. This production line has been put into operation. As such, the Group's global resources strategy has built up its scale, strengthening the stability and risk aversion of raw material supply. For domestic production, as the Group enhanced its capability in managing upstream raw materials, the quality of bauxite has become very stable, thus enabling the Group to better control the raw material costs. In addition, the installed capacity of the Group's captive power plants has been further upgraded to steadily raise the self sufficiency of power supply and hence strengthens the Group's cost advantage. The above measures have enhanced the Group's overall profitability and consolidated its leading position in the industry.

# Chairman's Statement

## RESULT PERFORMANCE

As of 30 June 2016, the Group's aggregate designed annual production capacity of aluminum products was approximately 5,886,000 tons (the corresponding period of 2015: approximately 4,536,000 tons), representing an increase of approximately 29.8% as compared with the corresponding period of 2015. The Group was still ranked as the largest aluminum product manufacturer in the world (source: Antaike).

During the Period, the Group's revenue amounted to approximately RMB25,375,416,000, representing a year-on-year increase of approximately 13.0%. Gross profit amounted to approximately RMB6,520,942,000, representing a year-on-year increase of approximately 24.5%. Net profit attributable to owners of the Company amounted to approximately RMB3,279,424,000, representing a year-on-year increase of approximately 20.7%. Basic earnings per share were approximately RMB0.46 (the corresponding period of 2015: approximately RMB0.43). The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2016.

## SEIZE MARKET OPPORTUNITIES AND DRIVE INDUSTRY DEVELOPMENT

During the Period under Review, changes in monetary policies of the world's major economies accelerated capital flow globally. The world economy remained in a stage of profound adjustment. While China's economic growth has slowed down under the "New Normal", the Chinese government continued to enforce increasing efforts to transform Chinese economy from an export oriented economy towards a consumer and service driven market economy. Reviewing the Chinese aluminum industry over the first six months in 2016, both supply and demand of aluminum products increased stably. Aluminum price has rebounded from previous decline.

According to Antaike, the production volume of primary aluminum reached 15,430,000 tons in China during the first half of 2016, representing a year-on-year increase of 1.0%, which made the lowest growth rate over a decade's time. However, the consumption volume of aluminum products in China increased approximately 8.6% on a year-on-year basis to 15,790,000 tons. The demand and supply dynamics of the aluminum product market improved substantially in the first half of 2016. With significant increase in the consumption of primary aluminum in the three sectors of construction, transportation, as well as electronics and electrical power, the consumption of primary aluminum in China increased steadily during the first half of 2016.

In early January 2016, the Group advocated the establishment of the Antaike Aluminum Ingot-Spot Index. For more than half a year since its launch, the new index has effectively regulated the market order and reflected the genuine demand and supply, providing strong support and guiding impact to the price of aluminum. Aluminum price increased from the lowest point of less than RMB10,000 per ton at the end of 2015 to RMB12,200 per ton at the end of June 2016 (value-added tax inclusive). The Group continues to intensify the "Integration of Upstream and Downstream Businesses", progressively extending its industrial chain from upstream raw materials to downstream businesses. The Group has also enhanced research and development efforts and innovation, upgraded its equipment and developed eco-friendly production facilities in order to solidify its technological leadership in the world.

### LEVERAGE COMPETITIVE ADVANTAGES TO REALIZE SUSTAINABLE DEVELOPMENT

In the first half of 2016, the aluminum product market has seen an increase in price and a gap between supply and demand. Therefore the Group remains optimistic towards the development prospect of the aluminum industry.

Going forward, the Group will adhere to its established development strategy. The Group will continue to further explore supply channels of raw materials in overseas markets, and enhance the “Integration of Aluminum, Electricity and Grid” and the “Integration of Upstream and Downstream Businesses”. The Group strives to capitalize on the opportunities arisen from the 13th Five-Year Plan. Leveraging its capacity strength, distinct cost advantage, adequate upstream supply and integrated industrial chain, the Group takes a leading role in promoting sustainable development of the Chinese aluminum industry.

The Group believes that the demand for aluminum products in China will remain strong in the second half of 2016. This can be seen in passenger cars and heavy duty trucks with light weight body, aluminum used for electric vehicles, aluminum used for consumer products especially personal electronic goods such as notebooks, tablets and smart phones which are upgraded and replaced frequently, as well as food and pharmaceutical packaging. The demand for high end aluminum used in the aviation and aerospace sectors, as well as the conventional industries such as construction, bridge and infrastructure development will underpin the further growth of the aluminum industry in China.

The Group will further pursue market expansion, grasp strategic development opportunities, invest in a prudent manner, allocate resources reasonably to lower costs and increase efficiency, so as to create long-term value for our shareholders.

### APPRECIATION

I, on behalf of the Board, extend my sincere gratitude to the management and all employees of the Group for the tireless dedication in the first half of 2016 as well as to all the shareholders, investors and business partners for the support and trust.

**Zhang Shiping**

*Chairman of the Board*

12 August 2016

# Management Discussion and Analysis

## INDUSTRY REVIEW

During the Period under Review, aluminum price has reversed its downtrend to embrace a new wave of sustained price increase. The aluminum price on London Metal Exchange (LME) has increased from US\$1,464 per ton at the beginning of January 2016 to US\$1,647 per ton at the end of June. Aluminum price in China also increased from RMB10,595 per ton (value added tax inclusive) at the beginning of 2016 to RMB12,200 per ton (value added tax inclusive) at the end of June 2016, representing an increase of RMB1,605 per ton.

In early January 2016, Antaike launched the “Antaike Aluminum Ingot – Spot Index” with the objective of boosting the development of the industry. Over more than half a year since its establishment, this pricing system initiated by a third party has reflected the genuine demand and supply of the market, effectively prevented futures speculation, thus generated positive guiding impact on aluminum price. Slower capacity growth and increasing market demand also underpinned aluminum price in the first half of the year. Supported by the country’s policies like 13th Five-Year Plan and “One Belt One Road”, it is expected the demand for aluminum will continue to be strong, particularly in the segments of infrastructure development, automobiles, consumer products and high-end technologies. With China’s supply side structural reform, industrialization, cluster development, technological advancement and sustainability will be the focuses of the industry’s future development.

According to Antaike, in the first half of 2016, global production volume of primary aluminum amounted to approximately 28,750,000 tons, representing an increase of approximately 1.7% as compared with the corresponding period of 2015. As for demand, the global consumption of primary aluminum reached approximately 29,910,000 tons in the first half of 2016, representing an increase of approximately 5.9% as compared with the corresponding period of the previous year. Compared to the global market, in the first half of 2016, China’s production volume of primary aluminum amounted to approximately 15,430,000 tons, representing an increase of approximately 1.0% as compared with the corresponding period of 2015. China’s consumption of primary aluminum was approximately 15,790,000 tons, representing an increase of approximately 8.6% as compared with the corresponding period of the previous year. This demonstrates that China has outperformed the global market in both demand and supply aspects.

## BUSINESS REVIEW

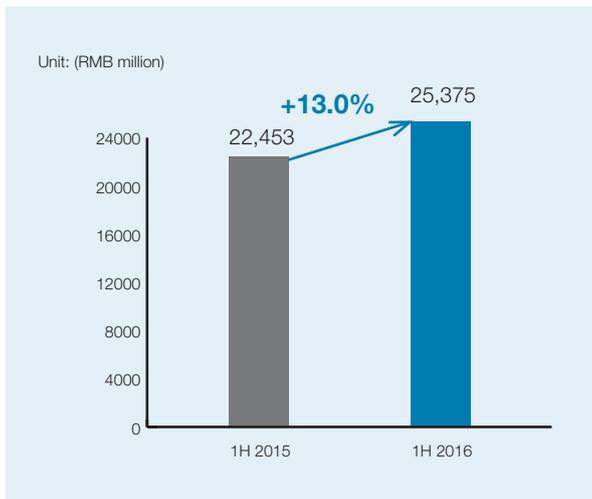
During the Period, the Group followed its established business plan to expand the aluminum production capacity further and extend the production chain, thereby enhancing its edge in the industry.

As of 30 June 2016, the Group’s aggregate designed annual production capacity of aluminum products reached approximately 5,886,000 tons (30 June 2015: approximately 4,536,000 tons), representing a year-on-year increase of approximately 29.8%. During the Period, given the expanding production capacity of aluminum products of the Group and the increase in demand from downstream markets, the Group’s total output of aluminum products amounted to approximately 2,707,000 tons, representing a year-on-year increase of approximately 28.4%. Production volume of aluminum alloy processed products reached approximately 138,000 tons, representing a year-on-year increase of approximately 14.2%.

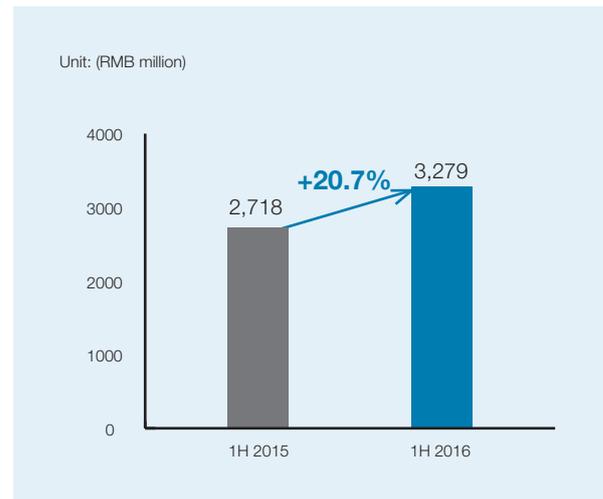
## Management Discussion and Analysis

The Group's unaudited revenue and net profit attributable to owners of the Company for the six months ended 30 June 2016, with comparison figures for the six months ended 30 June 2015, are as follows:

### Unaudited revenue



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



For the six months ended 30 June 2016, the Group recorded revenue of approximately RMB25,375,416,000, representing a year-on-year increase of approximately 13.0%, which was mainly due to the increases in the Group's production volume and sales volume of aluminum products as compared with the corresponding period of the previous year, resulted from the growth in the Group's production capacity of aluminum products. During the Period, the aggregate sales volume of the Group's aluminum products and aluminum alloy processed products reached approximately 2,530,356 tons, representing an increase of approximately 24.8% as compared with approximately 2,028,131 tons in the corresponding period of the previous year. Due to the change in market price of aluminum in China, the average selling price of the Group's aluminum products was approximately RMB10,023 per ton (excluding value-added tax) in the first half of 2016, representing a decrease of approximately 9.3% as compared with approximately RMB11,050 (excluding value-added tax) in the corresponding period of the previous year.

## Management Discussion and Analysis

For the six months ended 30 June 2016, net profit attributable to owners of the Company amounted to approximately RMB3,279,424,000, representing a year-on-year increase of approximately 20.7%. On one hand, during the Period, although the average selling price of the Group's aluminum products was lower than that of the corresponding period in 2015, production volume and sales volume of aluminum products recorded a year-on-year increase as the Group's aggregate designed annual production capacity continued to expand. On the other hand, the Group's procurement prices of raw materials like alumina, coal and carbon anode blocks dropped, while self supply ratio of electricity rose, resulting in further decline in unit production costs of aluminum products, which led to a growth in gross profit of the Group's aluminum products.

The following table shows the breakdown of revenue by products for the six months ended 30 June 2016 and 2015:

Products	Unaudited			
	For the six months ended 30 June			
	2016		2015	
	Revenue	Proportion	Revenue	Proportion
RMB'000	of sales	RMB'000	of sales	
	revenue to		revenue to	
	total revenue		total revenue	
	Revenue	%	Revenue	%
	RMB'000		RMB'000	
Molten aluminum alloy	23,563,616	92.8	19,829,562	88.3
Aluminum alloy ingots	706,730	2.8	1,195,628	5.3
Aluminum alloy processed products	1,091,871	4.3	1,385,355	6.2
Steam	13,199	0.1	42,233	0.2
Total	25,375,416	100.0	22,452,778	100.0

As for its products, the Group's revenue derived from aluminum products was approximately RMB25,362,217,000, accounting for approximately 99.9% of total revenue for the six months ended 30 June 2016, among which, the revenue derived from molten aluminum alloy accounted for approximately 92.8% of total revenue, representing an increase in percentage share as compared with the corresponding period of the previous year, which was mainly because of the increase in demand for aluminum products by industry clusters where the Group's production facilities are based which led to the increase in sales volume of molten aluminum alloy. Revenue derived from sales of steam was approximately RMB13,199,000, accounting for approximately 0.1% of the Group's total revenue. The decrease in revenue derived from sales of steam was mainly because the Group used more steam during the process of major raw materials production, thus the steam available for sale to the third parties decreased accordingly.

# Management Discussion and Analysis

## 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 2016 and 2015, respectively:

Products	Unaudited For the six months ended 30 June					
	2016			2015		
	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Aluminum products	25,362,217	6,513,931	25.7	22,410,545	5,214,936	23.3
Steam	13,199	7,011	53.1	42,233	21,166	50.1
Total:	25,375,416	6,520,942	25.7	22,452,778	5,236,102	23.3

For the six months ended 30 June 2016, the overall gross profit margin of the Group's products increased by approximately 2.4 percentage points to approximately 25.7% as compared with approximately 23.3% for the corresponding period of the previous year. This was mainly because during the Period, while the selling price of aluminum products of the Group decreased as compared to the corresponding period of the previous year, but as the purchase prices of the Group's materials for production such as alumina, coal and carbon anode blocks decreased and its ratio of self-supplied electricity increased, the unit production cost of its aluminum products further decreased, bringing a positive impact on the Group's overall gross profit margin.

### Distribution and selling expenses

For the six months ended 30 June 2016, the Group's distribution and selling expenses were approximately RMB48,845,000, representing a decrease of approximately 2.1% as compared with approximately RMB49,869,000 for the corresponding period of the previous year, which was mainly because of the increase in the percentage of sales volume of the Group's molten aluminum alloy products during the Period and the unit price for transportation of molten aluminum alloy products being lower than other aluminum products, resulting in a decrease in the overall transportation costs.

# Management Discussion and Analysis

## Administrative expenses

Administrative expenses of the Group for the six months ended 30 June 2016 amounted to approximately RMB497,666,000, representing an increase of approximately 16.7% as compared with approximately RMB426,390,000 for the corresponding period of the previous year. Such growth 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, resulting in the increase in corresponding property tax and bank charges.

## Finance costs

For the six months ended 30 June 2016, finance costs of the Group were approximately RMB1,897,283,000, representing an increase of approximately 91.2% as compared with approximately RMB992,216,000 for the corresponding period of the previous year. This was mainly due to an increase in total interest bearing liabilities during the Period as compared with that of the corresponding period of the previous year, resulting in an increase in interest expenses charged to the Group correspondingly and the increase in exchange loss as a result of the change in exchange rate.

## Liquidity and financial resources

As at 30 June 2016, cash and cash equivalents of the Group were approximately RMB12,586,387,000, representing an increase of approximately 48.3% as compared with that of approximately RMB8,488,534,000 as at 31 December 2015.

For the six months ended 30 June 2016, the Group had a net cash outflow from investing activities of approximately RMB12,623,802,000, a net cash inflow from financing activities of approximately RMB9,725,403,000 and a net cash inflow from operating activities of approximately RMB6,944,244,000.

For the six months ended 30 June 2016, the capital expenditure of the Group amounted to approximately RMB9,937,534,000, mainly for the expansion of its aluminum production capacity and construction projects of aluminum advanced processing facilities, ancillary captive power production facilities and the alumina production base in Indonesia.

As at 30 June 2016, the Group had a capital commitment of approximately RMB12,585,868,000, representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the production capacity expansion of aluminum products, the construction of the aluminum advanced processing facilities and ancillary captive power production facilities and the alumina production base in Indonesia.



## Management Discussion and Analysis

For the six months ended 30 June 2016, the Group's average turnover days of trade receivables were approximately 5 days, representing a decrease of 4 days as compared with approximately 9 days for the corresponding period of the previous year. This was mainly because in order to strengthen the business relations with premium clients of aluminium products, provisional credit periods was granted to some premium clients for its aluminum products in the first half of the year 2015 and such arrangement was partially cancelled successively from the second half of 2015 to the first half of 2016, resulting that the Group's trade receivables turnover days decreased from the corresponding period of last year and came above the average in the industry.

For the six months ended 30 June 2016, the Group's turnover days of inventory were approximately 127 days, representing an increase of 9 days as compared with approximately 118 days for the corresponding period of the previous year, mainly as a result of the increase in the Group's production capacity, including the increase in products as a result of the new production line putting in production.

### Income tax

The Group's income tax for the first half of 2016 amounted to approximately RMB1,197,183,000, representing a decrease of approximately 2.0% as compared with approximately RMB1,221,903,000 for the corresponding period of the previous year, which was mainly attributable to the increase of the Group's deferred income 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 RMB3,279,424,000 for the six months ended 30 June 2016, representing an increase of approximately 20.7% as compared with approximately RMB2,718,123,000 for the corresponding period of the previous year. During the Period, the basic earnings per share of the Company were approximately RMB0.46.

### Interim dividends

The Board did not recommend any interim dividends for the six months ended 30 June 2016 (corresponding period of 2015: Nil).

# Management Discussion and Analysis

## 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 RMB12,586,387,000, as at 30 June 2016 (31 December 2015: approximately RMB8,488,534,000), which were mainly deposited in commercial banks.

As at 30 June 2016, the total liabilities of the Group amounted to approximately RMB84,916,638,000 (31 December 2015: approximately RMB70,201,399,000). Gearing ratio (total liabilities to total assets) was approximately 66.9% (31 December 2015: approximately 66.0%).

As at 30 June 2016, the Group's total bank loans were approximately RMB20,291,478,000. 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 2016, approximately 43.6% of the Group's bank borrowings were subjected to fixed interest rates while the remaining approximately 56.4% were subjected to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of funds through bank loans. As at 30 June 2016, approximately 50.8% of the Group's bank borrowings will become due within one year.

As at 30 June 2016, the Group's current liabilities exceeded its current assets by approximately RMB6,417,071,000. The Group will continue to develop other financing channels by increasing part of the long-term borrowings and adjusting the structure of debts. In addition, the Group will control the capital expenditure, properly 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 2016, the Group's liabilities were mostly denominated in Renminbi and US Dollars, accounting for approximately 77.3% and 22.7% of the total liabilities, respectively. Cash and cash equivalents were mainly held as Renminbi and US Dollars, of which approximately 93.3% was held as Renminbi and approximately 6.1% was held as US Dollars.

As at 30 June 2016, debts except bank borrowings of the Group including RMB16,000,000,000 of short-term notes, approximately RMB26,766,972,000 of medium-term notes and bonds as well as approximately RMB4,614,026,000 of guaranteed notes with interest rates ranging from 3.31% to 8.69% per annum. The issuance of such notes and bonds helps to reduce the Group's finance costs and optimize its debt structure.



## Management Discussion and Analysis

### Employee and remuneration policy

As of 30 June 2016, the Group had a total number of 58,195 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 optimizing human resources and motivating employees. During the Period, total staff costs of the Group amounted to approximately RMB1,760,156,000, representing approximately 6.9% 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 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 2016, the Group's bank balances denominated in foreign currencies were approximately RMB845,040,000 and its liabilities denominated in foreign currencies were approximately RMB15,373,504,000. For the six months ended 30 June 2016, the Group recognized foreign exchange loss of approximately RMB279,930,000.

The Group utilized financial instrument, which is foreign currency forward contracts (amounting to US\$58,000,000), to reduce the risk of fluctuation in foreign currencies for the six months ended 30 June 2016. As at 30 June 2016, the financial assets generated from the above foreign currency forward contracts was approximately RMB5,770,000.

### Contingent liabilities

As at 30 June 2016, the Group did not have any contingent liabilities.

# Management Discussion and Analysis

## OUTLOOK

The Group believes that the market demand for aluminum products will increase in the second half of the year, bringing both opportunities and challenges to aluminum manufacturers in China. The Group will continue to strengthen its strategies of “Integration of Upstream and Downstream Businesses”, “Integration of Aluminum, Electricity and Grid”, and “Global Integration”, driving the development of industry clusters, enhancing cost advantage and economies of scale, and increasing the competitiveness in the global aluminum industry. With these, China Hongqiao is committed to building a healthy and disciplined aluminum industry in China.

The Group will continue to proactively adopt measures to ensure the stable supply of raw materials. The Group will further develop the bauxite project in Guinea, Africa, focus on the operations of the alumina production base in Indonesia, and explore other overseas supply channels for raw materials. The Group will also explore to extend into downstream business to diversify revenue streams and enhance processing capability. These will consolidate the Group’s competitive edges and core competence, prompting its economic efficiency in the long run. Following the success in establishing the world’s first full series 600KA aluminum production line last year, the Group continues to put more efforts in technological innovation, production equipment upgrade and environmental protection. During the Period, the Group increased the installed capacity of its power plants to further raise the level of self-supplied electricity. The Group will continue its plan to expand its captive power plants in order to manage its production cost effectively and enhance its market competitiveness.

Facing the increasingly complex domestic and overseas economic and market environments, China Hongqiao will focus on long-term development strategies, fully utilize the market mechanism, and set out forward looking plans to adapt to market changes. The Group will dedicate more efforts into technological innovation, energy conservation and efficiency enhancement, cost reduction and stable growth so as to reinforce its leadership in the industry.

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

As at 30 June 2016, so far as it is known to any Director or chief executive of the Company, the following persons and corporations (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 of Hong Kong Limited (“Hong Kong 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 shareholding in the total issued share capital as at 30 June 2016 (%)
Mr. ZHANG Shiping <sup>(1)</sup>	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang <sup>(2)</sup>	Spouse	5,889,024,573	81.12
Shiping Prosperity Private Trust Company <sup>(3)</sup>	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 all 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 2016, 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 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.

## Supplementary Information

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

As at 30 June 2016, 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 Hong Kong 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 Hong Kong 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	Number of total shares held	Approximate percentage of shareholding in the total issued share capital as at 30 June 2016 (%)
Mr. ZHANG Shiping <sup>(1)</sup>	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang <sup>(2)</sup>	Spouse	5,889,024,573	81.12
Mr. ZHANG Bo <sup>(3)</sup>	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 all 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 2016, 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 Hong Kong Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Hong Kong 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 2016 and up to the date of this report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of 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 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 three independent non-executive Directors. An Audit Committee meeting was held on 12 August 2016 to review the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016. The Audit Committee considers that the interim financial results for the six months ended 30 June 2016 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 throughout the six months ended 30 June 2016 and up to the date of this report.

### **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 2016 and up to the date of this report.

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

The Company has applied the principles as set out in the Corporate Governance Practice Code ("CG Code") which contained in Appendix 14 of the Listing Rules. For the six months ended 30 June 2016, the Company has complied with the mandatory provisions of the CG Code.

## Supplementary Information

### ISSUE OF RIGHTS SHARES OF THE COMPANY

On 18 February 2016, the Company completed the rights issue of 891,550,213 rights shares at the subscription price of HK\$4.31 per rights share on the basis of 7 rights shares for every 50 shares. For details of the rights issue, please refer to the announcements of the Company dated 8 January 2016, 22 January 2016 and 17 February 2016, respectively. The net proceeds from the rights issue was HK\$3,829,102,000. As at 30 June 2016, approximately HK\$3,690,766,000 of the proceeds was utilized, among which approximately HK\$789,313,000 was used in repaying borrowings, approximately HK\$389,157,000 in purchasing bauxite, approximately HK\$1,962,296,000 in purchasing alumina, approximately HK\$550,000,000 in purchasing coal. The rest of approximately HK\$138,336,000 has not yet been unutilized.

### DISCLOSURE OF INFORMATION ON WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The electronic version of this report 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) at the same time. The interim report will be dispatched to the shareholders on or before 23 September 2016.

# Report on Review of Interim Financial Information



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**to the shareholders of China Hongqiao Group Limited**  
*(Incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 22 to 52, which comprises the condensed consolidated statement of financial position of China Hongqiao Group Limited (the “Company”) and its subsidiaries (together the “Group”) as at 30 June 2016 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Ernst & Young**  
*Certified Public Accountants*

12 August 2016

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

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
<b>Revenue</b>	5	<b>25,375,416</b>	22,452,778
Cost of sales		<b>(18,854,474)</b>	(17,216,676)
Gross profit		<b>6,520,942</b>	5,236,102
Other income and gains	6	<b>358,398</b>	393,428
Share of gains of associates	12	<b>39,811</b>	–
Selling and distribution expenses		<b>(48,845)</b>	(49,869)
Administrative expenses		<b>(497,666)</b>	(426,390)
Other operating expenses		<b>(13,506)</b>	(20,222)
Finance costs	7	<b>(1,897,283)</b>	(992,216)
Changes in fair value of compound component		–	(209,932)
<b>Profit before tax</b>		<b>4,461,851</b>	3,930,901
Income tax expense	8	<b>(1,197,183)</b>	(1,221,903)
<b>Profit for the period</b>		<b>3,264,668</b>	2,708,998
Attributable to:			
Owners of the parent		<b>3,279,424</b>	2,718,123
Non-controlling interests		<b>(14,756)</b>	(9,125)
		<b>3,264,668</b>	2,708,998
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operation		<b>35,490</b>	11,058
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>3,300,158</b>	2,720,056
Attributable to:			
Owners of the parent		<b>3,301,073</b>	2,724,758
Non-controlling interests		<b>(915)</b>	(4,702)
		<b>3,300,158</b>	2,720,056
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	10	<b>0.46</b>	0.43

## Interim Condensed Consolidated Statement of Financial Position (unaudited)

As at 30 June 2016

	Notes	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	81,427,051	69,828,275
Investments in associates	12	367,290	309,744
Prepaid land lease payments		2,956,301	1,738,590
Deposits paid for acquisition of property, plant and equipment		2,067,829	1,497,883
Deferred tax assets		320,940	255,576
Goodwill	13	477,037	80,418
<b>Total non-current assets</b>		<b>87,616,448</b>	<b>73,710,486</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments – current portion		62,263	37,774
Inventories	14	13,907,162	12,235,436
Trade receivables	15	424,528	1,052,939
Bills receivable	16	8,279,504	7,503,961
Prepayments, deposits and other receivables		3,507,426	2,807,789
Restricted bank deposits	17	496,295	601,417
Cash and cash equivalents	17	12,586,387	8,488,534
<b>Total current assets</b>		<b>39,263,565</b>	<b>32,727,850</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	18	5,430,613	5,754,305
Other payables and accruals	19	10,829,473	10,261,532
Dividends payable		12	–
Bank borrowings – due within one year	20	10,307,160	11,911,430
Other borrowings – due within one year	20	–	75,000
Income tax payable		474,481	103,923
Short-term debentures	21	16,000,000	14,000,000
Guaranteed notes – due within one year	23	2,638,897	–
<b>Total current liabilities</b>		<b>45,680,636</b>	<b>42,106,190</b>
<b>NET CURRENT LIABILITIES</b>		<b>6,417,071</b>	<b>9,378,340</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>81,199,377</b>	<b>64,332,146</b>

## Interim Condensed Consolidated Statement of Financial Position (unaudited)

As at 30 June 2016

	Notes	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year	20	9,984,318	11,465,162
Deferred tax liabilities		441,533	165,825
Medium-term debentures and bonds – due after one year	22	26,766,972	11,905,771
Guaranteed notes-due after one year	23	1,975,129	4,505,961
Other liabilities		68,050	52,490
<b>Total non-current liabilities</b>		<b>39,236,002</b>	28,095,209
<b>Net assets</b>		<b>41,963,375</b>	36,236,937
<b>EQUITY</b>			
Issued capital	24	474,057	415,834
Share premium and reserves		40,614,598	35,092,969
<b>Equity attributable to owners of the parent</b>		<b>41,088,655</b>	35,508,803
Non-controlling interests		874,720	728,134
<b>Total equity</b>		<b>41,963,375</b>	36,236,937

## Interim Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2016

	Attributable to owners of the parent								
	Issued capital	Share premium	Other capital reserve*	Retained earnings	Foreign currency translation reserve	Statutory surplus reserve**	Total	Non-controlling interests	Total equity
As at 1 January 2016	415,834	7,241,883	793,349	22,715,846	49,015	4,292,876	35,508,803	728,134	36,236,937
Exchange difference on translation into presentation currency	-	-	-	-	21,649	-	21,649	13,841	35,490
Profit/(loss) for the period	-	-	-	3,279,424	-	-	3,279,424	(14,756)	3,264,668
Total comprehensive income	-	-	-	3,279,424	21,649	-	3,301,073	(915)	3,300,158
Issue of new shares	58,223	3,163,917	-	-	-	-	3,222,140	-	3,222,140
Transaction costs on issue of new shares	-	(12,657)	-	-	-	-	(12,657)	-	(12,657)
Final 2015 dividend declared	-	-	-	(930,704)	-	-	(930,704)	-	(930,704)
Contribution from non-controlling shareholder	-	-	-	-	-	-	-	147,501	147,501
At 30 June 2016 (unaudited)	474,057	10,393,143	793,349	25,064,566	70,664	4,292,876	41,088,655	874,720	41,963,375
As at 1 January 2015	403,152	6,154,439	793,349	20,926,717	10,796	3,801,171	32,089,624	344,390	32,434,014
Profit/(loss) for the period	-	-	-	2,718,123	-	-	2,718,123	(9,125)	2,708,998
Other comprehensive income	-	-	-	-	6,635	-	6,635	4,423	11,058
Total comprehensive income	-	-	-	2,718,123	6,635	-	2,724,758	(4,702)	2,720,056
Issue of new shares for conversion of convertible bond	12,682	1,087,444	-	-	-	-	1,100,126	-	1,100,126
Final 2014 dividend declared	-	-	-	(1,367,956)	-	-	(1,367,956)	-	(1,367,956)
Contribution from non-controlling shareholder	-	-	-	-	-	-	-	123,465	123,465
At 30 June 2015 (unaudited)	415,834	7,241,883	793,349	22,276,884	17,431	3,801,171	34,546,552	463,153	35,009,705

\* Capital reserve represents (i) the effect of the group reorganisation completed in March 2010 and (ii) deemed capital contribution from its equity holders.

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

# Interim Condensed Consolidated Statement of Cash Flows (unaudited)

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June	
		2016 RMB'000 Unaudited	2015 RMB'000 Unaudited
<b>Net cash flows from operating activities</b>		<b>6,944,244</b>	3,671,085
<b>Investing activities</b>			
Interest received		15,209	14,548
Proceeds from sale of property, plant and equipment		5,654	–
Purchase of items of property, plant and equipment and deposits for acquisition of items of property, plant and equipment		(9,937,534)	(9,941,726)
Receipt of government grants		15,560	–
Addition to prepaid lease payments		(211,290)	(142,936)
Acquisition of a subsidiary		(2,116,523)	–
Deposits for equity transactions*	1	(500,000)	–
Placement of restricted bank deposits		(907,450)	(189,704)
Withdrawal of restricted bank deposits		1,012,572	548,352
<b>Net cash flows used in investing activities</b>		<b>(12,623,802)</b>	(9,711,466)
<b>Financing activities</b>			
Proceeds from bank borrowings		11,012,873	11,871,958
Repayment of bank borrowings		(14,368,716)	(9,183,422)
Dividend paid to equity holders of the parent		(930,692)	(1,364,298)
Repayment of other borrowings		(75,000)	(60,000)
Proceeds from medium-term debentures		15,000,000	2,700,000
Proceeds from short-term debentures		11,000,000	5,000,000
Repayment of short-term debentures		(9,000,000)	(3,000,000)
Payment of transaction costs on issuance of short-term debentures		(37,000)	(22,000)
Payment of transaction costs on issuance of medium-term debentures		(9,000)	(24,300)
Interest paid		(1,682,367)	(844,939)
Repayment to a former shareholder of a newly acquired subsidiary	4	(4,541,679)	–
Contribution from minority shareholders		147,501	–
Issue of shares		3,222,140	–
Transaction costs attributable to issue of new shares		(12,657)	–
<b>Net cash flows from financing activities</b>		<b>9,725,403</b>	5,072,999
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,045,845</b>	(967,382)
Net foreign exchange difference		52,008	3,914
Cash and cash equivalents at 1 January		8,488,534	7,676,335
Cash and cash equivalents at 30 June		12,586,387	6,712,867

\* As of 16 May 2016, Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") paid a deposit of RMB500,000,000 to an account co-managed by Shandong Hongqiao and Mr. Yu Rongqiang, as for the acquisition of certain equity shares of Loften Environmental Technology Co., Ltd. whose shares are listed on Shenzhen Stock Exchange, details are set out in Note 1.

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 1. CORPORATE INFORMATION

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, 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.

As of 16 May 2016, Shandong Hongqiao entered into a Memorandum of Understanding ("MOU") with Mr. Yu Rongqiang ("Mr. Yu") in relation to the proposed acquisition of 261,096,605 shares ("Target Shares") of Loften Environmental Technology Co., Ltd ("Loften"), representing approximately 28.18% equity interest of Loften. Pursuant to the MOU, the consideration of this proposed acquisition shall be not more than RMB900,000,000 and such consideration shall be paid in full at the closing of the proposed acquisition. On 16 May 2016, Shandong Hongqiao paid the deposit in the amount of RMB500,000,000 to an account co-managed by the two parties. On 14 July 2016, Shandong Hongqiao paid remaining deposits in the amount of RMB400,000,000 to the same account co-managed by the two parties, and Mr. Yu's 254,710,000 shares of Loften were pledged to Shandong Hongqiao on the same date. On 29 July 2016, the remaining 6,386,605 of the Target Shares were pledged to Shandong Hongqiao by Mr. Yu. These deposits are retained as payment of the consideration by Shandong Hongqiao for the proposed acquisition.

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

### 2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration of the Group in light of the Group's net current liabilities of approximately RMB6,417,071,000 as at 30 June 2016. The directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of issuance of the financial statements. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those committed capital expenditures relating to plant construction, that will be due in the coming twelve months from the date of the issuance of financial statements based on the Group's existing resources and upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

### 2.1. Basis of preparation (continued)

- (i) as at 30 June 2016, the Group had cash and cash equivalents of approximately RMB12,586,387,000, and unutilized short term debentures and notes of approximately RMB3,000,000,000 which can be freely utilized within twelve months from the period end date;
- (ii) On 15 July 2016, Shangdong Hongqiao issued the second tranche of private placement enterprise bonds of a principal amount of RMB3,000,000,000 with a maturity date of 15 July 2021, details of which are set out in the note 29 "Events after the reporting period" to the financial statements;
- (iii) the Group is actively negotiating with banks for the renewal of its short-term borrowings as necessary when they fall due in the coming twelve months following the date of the issuance of these financial statements. The Group did not encounter any significant difficulties in renewing its short-term borrowings in the past and therefore the directors are of the opinion that all short-term borrowings can be renewed.

### 2.2. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim 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 2015, except for the adoption of the new standards and interpretations (collectively referred to as "IFRSs") issued by the International Accounting Standards Board ("IASB") and effective as of 1 January of 2016 noted below:

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 27: Equity Method in Separate Financial Statements

Annual Improvements 2012-2014 Cycle

IAS 19

Employee Benefits

IAS 34

Interim Financial Reporting

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The adoption of the new standards and amendments does not have any significant effect on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 3. SEGMENT INFORMATION

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 IFRSs. 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 and other segment related information are presented as no such discrete financial information are provided to the chief operating decision maker.

## 4. BUSINESS COMBINATIONS

### Acquisition of Beihai Xinhe New Material Co., Ltd.

On 30 June 2016, the Group acquired 100% of the unquoted shares capital of Beihai Xinhe New Material Co., Ltd. ("Beihai Xinhe") for consideration of RMB2,120,000,000. This acquisition has been accounted for using the acquisition method. There was provisional goodwill arising as a result of the acquisition. Beihai Xinhe is principally engaged in the manufacture and sales of alumina. Beihai Xinhe was acquired so as to enhance the Group's alumina self-efficiency and continue the expansion of its aluminum products operations.

#### Consideration transferred:

	RMB'000
Cash consideration paid	2,120,000

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 4. BUSINESS COMBINATIONS (CONTINUED)

### Acquisition of Beihai Xinhe New Material Co., Ltd. (continued)

The provisional values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
<b>Non-current assets</b>	
Property, plant and equipment	4,881,209
Prepaid lease payments – non-current portion	1,023,761
<b>Current assets</b>	
Cash and banks	3,477
Trade receivables	329,040
Bills receivable	619,750
Prepayment and other receivables	105,272
Inventories	366,499
Prepaid lease payments – current portion	25,630
<b>Current liabilities</b>	
Trade payables	(491,879)
Other payables	(319,354)
Amount due to the former shareholder*	(4,541,679)
<b>Non-current liabilities</b>	
Deferred tax liability	(278,345)
	1,723,381

\* As at above date, the Group paid the amount of RMB4,541,679,000 to the former shareholder on behalf of Beihai Xinhe.

The initial accounting for acquisition of Beihai Xinhe has only been provisionally determined at the end of the reporting period. At the date of the board of directors' approval of this interim financial information, the necessary market valuations and other calculations for property, plant and equipment, prepaid lease payments, inventories and deferred tax liabilities of Beihai Xinhe were still in the process of finalization. For the purpose of initial recognition, the directors of the Company determined the best estimates for the value of these assets and liabilities based on the book values and the valuation report on the entire equity value of Beihai Xinhe prepared for the purpose of determining the purchase consideration.

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 4. BUSINESS COMBINATIONS (CONTINUED)

### Acquisition of Beihai Xinhe New Material Co., Ltd. (continued)

Goodwill arising on acquisition (determined on a provisional basis):

	RMB'000
Consideration transferred	2,120,000
Less: fair value of identifiable net assets acquired (provisional value)	(1,723,381)
Goodwill arising on acquisition	396,619

Goodwill arose in the acquisition of Beihai Xinhe because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Beihai Xinhe. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	2,120,000
Less: cash and cash equivalents acquired	(3,477)
	2,116,523

### Impact of acquisitions on the results of the Group:

Had the acquisition been completed on 1 January 2016, total group revenue for the six months ended 30 June 2016 would have been RMB26,963,877,000 and the profit for the period would have been RMB2,897,526,000. The pro-forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Beihai Xinhe been acquired at the beginning of the current period, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 5. REVENUE

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

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

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

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Revenue from sales of goods		
Aluminum products		
– molten aluminum alloy	23,563,616	19,829,562
– aluminum alloy ingots	706,730	1,195,628
– aluminum alloy processed products	1,091,871	1,385,355
Steam supply income	13,199	42,233
	<b>25,375,416</b>	22,452,778

### 6. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest income	15,209	14,548
Net gain on sales of scrap materials and raw materials	106,483	159,897
Revenue from sales of slag of carbon anode blocks	195,913	193,380
Gain on disposal of property, plant and equipment	2,367	–
Others	38,426	25,603
	<b>358,398</b>	393,428

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Interest expenses on bank borrowings	613,844	471,771
Interest expenses on convertible bonds	–	46,532
Interest expenses on medium-term debentures	592,502	296,252
Interest expenses on short-term debentures	333,160	246,279
Interest expenses on other borrowings	929	6,945
Interest expenses on guaranteed notes (Note 23)	177,559	161,672
Foreign exchange losses, net	279,930	23,950
Less: amount capitalised under construction in progress	100,641	261,185
	<b>1,897,283</b>	992,216

Borrowing costs capitalised during the period are calculated by applying a capitalisation rate of 4.60% (six months ended 30 June 2015: 5.76%) per annum to expenditure on qualifying assets.

## 8. 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 interim condensed statement of profit or loss are:

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Income taxes		
Current income tax expense		
– Mainland China	1,265,206	1,081,171
– Hong Kong*	–	145,249
Deferred income tax expense relating to origination and reversal of temporary differences**	(68,023)	(4,517)
Income tax expense recognised in statement of profit or loss	<b>1,197,183</b>	1,221,903

\* During the six months ended 30 June 2015, Hongqiao Investment (Hong Kong) Limited received the dividends declared by Shandong Hongqiao, a subsidiary established in the PRC, thus the corresponding dividend tax of RMB136,083,700 was recorded.

\*\* During the six months ended 30 June 2016, deferred tax assets of RMB73,500,000 were recognized in respect of tax losses arising from certain subsidiaries in the PRC.

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 9. DIVIDEND

Dividends declared for distribution during the period:

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
2015 final dividends – HK15 cents per share	930,704	–
2014 final dividends – HK28 cents per share	–	1,367,956
	930,704	1,367,956

During the current interim period, a final dividend of HK\$1,082,597,000 (equivalent to approximately RMB930,704,000) at HK15 cents per share based on 7,259,766,023 shares as at 18 February 2016 (six months ended 30 June 2015: HK\$1,725,046,000 (equivalent to approximately RMB1,367,956,000), at HK28 cents per share in respect of the year ended 31 December 2014) was approved by the annual general meeting and 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 2016 and six months ended 30 June 2015.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2016 attributable to ordinary equity holders of the parent of RMB3,279,424,000 (the six months ended 30 June 2015: RMB2,718,123,000), and the weighted average number of ordinary shares of 7,063,853,000 (the six months ended 30 June 2015: 6,348,664,000) in issue during the six months ended 30 June 2016.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group purchased property, plant and equipment approximately RMB780,161,000 (six months ended 30 June 2015: approximately RMB1,221,901,000), excluding property, plant and equipment transferred from construction in progress approximately RMB12,599,384,000 (six months ended 30 June 2015: RMB8,848,848,000) and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB1,627,000 (six months ended 30 June 2015: RMB200,000).

During the six months ended 30 June 2016, the Group spent approximately RMB8,673,705,000 (Six months ended 30 June 2015: RMB8,719,825,000) on the construction of its new product lines and power plant.

The depreciation of the Group for the six months ended 30 June 2016 is approximately RMB2,734,671,000 (six months ended 30 June 2015: RMB2,274,092,000).

Buildings with carrying amount of RMB2,470,948,000 (31 December 2015: RMB1,749,435,000) located in the PRC are in the process of obtaining the property certificates.

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 12. INVESTMENTS IN ASSOCIATES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Share of net assets	69,176	17,532
Loans to associates	298,114	292,212
	<b>367,290</b>	309,744

The loans to associates are unsecured, interest-free and will be repaid within 1-2 years.

The Group's trade payable balances with the associates are disclosed in note 28 to the financial statements.

Particulars of the material associates are as follows:

Name of company	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group %	Principal activities
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Ordinary shares	Guinea	22.5	Mineral exploration
Winning Alliance Ports SA ("WAP")	Ordinary shares	Guinea	22.5	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Ordinary shares	BVI	25	Trading of bauxite

The Group's shareholdings in the associates all comprise equity shares held by a wholly-owned subsidiary of the Company.

The financial years of the above associates are coterminous with that of the Group.

The Group accounted for its share of losses of SMB and WAP using equity accounting method up to its investment amounts since the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of SMB as at 30 June 2016 were RMB1,323,100 (30 June 2015: Nil). The amounts of the Group's unrecognised share of losses of WAP as at 30 June 2016 were RMB9,367,710 (30 June 2015: Nil).

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 12. INVESTMENTS IN ASSOCIATES (CONTINUED)

None of the associates are material to the Group. The following table illustrates the aggregate financial information of the Group's associates:

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Share of the associates' profit or loss for the six months ended 30 June	51,620	–
Share of the associates' other comprehensive income	–	–
Share of the associates' total comprehensive income	51,620	–
Elimination of unrealised profits	(11,809)	–
	39,811	–
Aggregate carrying amount of the Group's investments in associates	69,176	–

### 13. GOODWILL

	30 June 2016 RMB'000	31 December 2015 RMB'000
Cost		
At 1 January	80,418	80,418
Arising on:		
Acquisition of a subsidiary	396,619	–
At 30 June	477,037	80,418
Impairment		
At 1 January and at 30 June	–	–
Net carrying amount		
At 30 June	477,037	80,418

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

As disclosed in Note 4. Business Combinations, as at the date of this interim financial information, the necessary market valuations and other calculations for certain assets and liabilities of Beihai Xinhe were still in the process of finalization, thus, the goodwill arising from this acquisition was provisional. During the measurement period, management may recognise adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 14. INVENTORIES

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
Raw materials	<b>6,987,805</b>	7,633,718
Work in process	<b>6,310,600</b>	4,443,974
Finished goods	<b>608,757</b>	157,744
	<b>13,907,162</b>	12,235,436

At 30 June 2016, the carrying amounts of the Group were net of impairment provisions of RMB13,506,000 (31 December 2015: RMB42,670,000).

### 15. 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 aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
0-90 days	<b>413,082</b>	1,043,484
91-360 days	<b>11,446</b>	9,455
	<b>424,528</b>	1,052,939

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 16. BILLS RECEIVABLE

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
Bills receivable	<b>8,279,504</b>	7,503,961

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

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
0-90 days	<b>4,305,839</b>	3,358,968
91-180 days	<b>3,965,033</b>	4,144,993
181-365 days	<b>8,632</b>	–
	<b>8,279,504</b>	7,503,961

### 17. CASH AND CASH EQUIVALENTS

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
Cash and bank balances	<b>12,566,387</b>	8,447,534
Time deposits	<b>516,295</b>	642,417
	<b>13,082,682</b>	9,089,951
Less: Restricted bank deposits against:		
– pledged for issuance of letter of credit	<b>(368,287)</b>	(423,417)
– pledged for guarantee issued	<b>(128,008)</b>	(178,000)
Cash and cash equivalents	<b>12,586,387</b>	8,488,534

The restricted bank deposits carry market interest rate of 1.30% to 2.05% per annum as at 30 June 2016 (31 December 2015: 0.35% to 3.3%).

Cash and bank balances at 30 June 2016 were mainly denominated in RMB which is not a freely convertible currency in the international market.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 18. TRADE AND BILLS PAYABLES

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

The aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
0-180 days	<b>5,367,820</b>	5,716,271
181-365 days	<b>57,326</b>	31,936
1-2 years	<b>2,423</b>	3,991
Over 2 years	<b>3,044</b>	2,107
	<b>5,430,613</b>	5,754,305

### 19. OTHER PAYABLES AND ACCRUALS

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

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
Payables on property, plant and equipment	<b>5,850,939</b>	5,764,662
Retention payables	<b>3,071,355</b>	2,391,387
Advance from customers	<b>258,216</b>	594,152
Accrued payroll and welfare	<b>354,037</b>	260,721
Other tax payables	<b>356,603</b>	268,456
Interest payable	<b>838,794</b>	875,997
Others	<b>99,529</b>	106,157
	<b>10,829,473</b>	10,261,532

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 20. BANK AND OTHER BORROWINGS

#### (a) Bank borrowings

	30 June 2016 RMB'000	31 December 2015 RMB'000
<b>Current</b>		
Unsecured bank borrowings	8,118,864	7,560,718
Unsecured syndicated loans	2,188,296	4,350,712
	<b>10,307,160</b>	11,911,430
<b>Non-current</b>		
Unsecured bank borrowings	5,431,661	6,234,292
Unsecured syndicated loans	4,552,657	5,230,870
	<b>9,984,318</b>	11,465,162
The total borrowings are repayable as follows:		
Within one year	10,307,160	11,911,430
In the second year	4,430,213	4,032,671
In the third year	5,554,105	7,432,491
	<b>20,291,478</b>	23,376,592
Less: Amount due for settlement within one year and shown under current liabilities	10,307,160	11,911,430
Amount due after one year	<b>9,984,318</b>	11,465,162
Total borrowings		
– at fixed rates	8,845,436	6,791,977
– at floating rates	11,446,042	16,584,615
	<b>20,291,478</b>	23,376,592
Analysis of borrowings by currency:		
– denominated in RMB	9,532,000	9,282,000
– denominated in US\$	10,759,478	14,094,592
	<b>20,291,478</b>	23,376,592

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 20. BANK AND OTHER BORROWINGS (CONTINUED)

### (a) Bank borrowings (continued)

The balance of bank borrowings which are guaranteed by a related party was set out in note 28(d) to the financial statements.

Fixed interest rate borrowings with an aggregate carrying amount of RMB8,845,436,000 (31 December 2015: RMB6,791,977,000) ranged from 1.53% to 5.34% (31 December 2015: 1.90% to 6.50%) per annum as at 30 June 2016.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China or China Foreign Exchange Trading System & National Interbank Funding Center, and interests on borrowings denominated in US\$ at floating rates are calculated based on London Interbank Offered Rate.

### (b) Other borrowings

As of 31 December 2015, Weiqiao Alumina & Power, a subsidiary of the Company, pledged certain equipment to secure other borrowings of the Group with a carrying amount of RMB75,000,000 which was repaid in January 2016.

The total other borrowings are repayable as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Other borrowings repayable:		
Within one year or on demand	–	75,000

## 21. SHORT-TERM DEBENTURES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Short-term debentures	16,000,000	14,000,000

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 21. SHORT-TERM DEBENTURES (CONTINUED)

The details of balances of short-term debentures on 30 June 2016 are set out as follows:

	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures A	16-Jul-15	1,000,000	4.40%	15-Jul-16
Short-term debentures B	18-Aug-15	1,000,000	3.90%	17-Aug-16
Short-term debentures C	21-Aug-15	1,000,000	3.79%	21-Aug-16
Short-term debentures D	9-Oct-15	1,000,000	3.72%	9-Oct-16
Short-term debentures E	27-Jan-16	1,000,000	3.97%	23-Oct-16
Short-term debentures F	24-Feb-16	1,000,000	3.58%	20-Nov-16
Short-term debentures G	3-Mar-16	1,000,000	3.57%	28-Nov-16
Short-term debentures H	11-Mar-16	1,000,000	3.31%	6-Dec-16
Short-term debentures I	11-Dec-15	1,000,000	4.10%	11-Dec-16
Short-term debentures J	22-Mar-16	1,000,000	3.58%	17-Dec-16
Short-term debentures K	12-Apr-16	1,000,000	3.95%	7-Jan-17
Short-term debentures L	14-Apr-16	1,000,000	3.95%	9-Jan-17
Short-term debentures M	18-Jan-16	1,000,000	3.36%	18-Jan-17
Short-term debentures N	19-Jan-16	1,000,000	3.42%	19-Jan-17
Short-term debentures O	2-Jun-16	1,000,000	4.24%	27-Feb-17
Short-term debentures P	8-Jun-16	1,000,000	4.10%	5-Mar-17

The short-term debentures were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investors ("NAFMII"). Interest is payable annually.

## 22. MEDIUM-TERM DEBENTURES AND BONDS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Medium-term debentures and bonds-due after one year	26,766,972	11,905,771

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 22. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

The details of balances of medium-term debentures and bonds on 30 June 2016 are set out as follows:

	<b>Date of issue</b>	<b>Principal amount</b> RMB'000	<b>Nominal interest rate</b>	<b>Effective interest rate</b>	<b>Date of maturity</b>
<b>Unlisted</b>					
Medium-term debentures A	25-Jan-13	1,500,000	6.30%	6.67%	25-Jan-18
Medium-term debentures B	10-Apr-13	1,500,000	5.80%	6.12%	10-Apr-18
Medium-term debentures C	22-Apr-15	1,500,000	5.60%	5.94%	22-Apr-18
Medium-term debentures D	9-May-13	1,500,000	6.00%	6.32%	9-May-18
Medium-term debentures E	14-May-15	1,200,000	5.20%	5.54%	14-May-18
Medium-term debentures F	14-Oct-15	1,000,000	5.50%	5.86%	14-Oct-20
Medium-term debentures G	15-Dec-15	500,000	5.20%	5.88%	15-Dec-20
Private placement enterprise bonds A	2-Jun-16	3,000,000	6.05%	6.50%	2-Jun-19
<b>Listed</b>					
Enterprise bonds A	3-Mar-14	1,200,000	8.69%	8.91%	3-Mar-21
Enterprise bonds B	21-Aug-14	1,100,000	7.45%	7.88%	21-Aug-21
Enterprise bonds C	26-Oct-15	1,000,000	5.26%	5.44%	26-Oct-22
Enterprise bonds D	14-Jan-16	2,000,000	4.10%	4.33%	14-Jan-21
Enterprise bonds E	14-Jan-16	1,000,000	4.88%	5.11%	14-Jan-21
Enterprise bonds F	27-Jan-16	1,800,000	4.50%	4.73%	27-Jan-21
Enterprise bonds G	24-Feb-16	1,200,000	4.04%	4.27%	24-Feb-21
Enterprise bonds H	10-Mar-16	3,500,000	4.27%	4.50%	10-Mar-21
Enterprise bonds I	10-Mar-16	500,000	4.83%	5.06%	10-Mar-21
Enterprise bonds J	22-Mar-16	2,000,000	4.20%	4.43%	22-Mar-21

Debentures A, B, C, D, E, F and G were issued to various independent third parties according to the approvals issued by NAFMII, and enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange, while enterprise bonds D, E, F, G, H, I and J were issued under the approval of China Securities Regulatory Commission.

According to the terms and conditions of private placement enterprise bonds A, the interest rate is 6.05% per annum for 2 years, up to 2 June 2018. At the end of the second year, on 2 June 2018, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year.

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 22. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 4.10% per annum for the 3 years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds E is 4.88% per annum for the five years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate.

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 4.50% per annum for the 3 years, up to 27 January 2019. At the end of the third year, on 27 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 4.04% per annum for the 3 years, up to 24 February 2019. At the end of the third year, on 24 February 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

Enterprise bonds H and I are different categories of the same tranche, the interest rate of the enterprise bonds H is 4.27% per annum for the 3 years, up to 10 March 2019. At the end of the third year, on 10 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds I is 4.83% per annum for the five years, up to 10 March 2021, with no right to redeem the bonds or adjust the interest rate.

According to the terms and conditions of enterprise bonds J, the interest rate of the enterprise bonds is 4.20% per annum for the 3 years, up to 22 March 2019. At the end of the third year, on 22 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

Interest is payable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

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

	<b>30 June 2016</b>	31 December 2015
	<b>RMB'000</b>	RMB'000
Within one year	–	–
In the second to fifth year	<b>24,693,975</b>	8,645,494
Over five years	<b>2,072,997</b>	3,260,277
	<b>26,766,972</b>	11,905,771

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 23. GUARANTEED NOTES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Guaranteed notes – due within one year	2,638,897	–
Guaranteed notes – due after one year	1,975,129	4,505,961
	<b>4,614,026</b>	4,505,961

On 26 June 2014, the Company issued 7.625% guaranteed notes with an aggregate principal amount of US\$400,000,000 (equivalent to approximately RMB2,461,120,000 (the “2017 Guaranteed Notes”) which are guaranteed by certain overseas subsidiaries of the Group. The 2017 Guaranteed Notes matures on 26 June 2017. The 2017 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

The carrying amount of the 2017 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US\$7,000,000 (equivalent to approximately RMB43,070,000) and the effective interest rate of the 2017 Guaranteed Notes is 8.30% per annum.

On 27 October 2014, the Company issued 6.875% guaranteed notes with the aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB1,845,750,000) (the “2018 Guaranteed Notes”) which are guaranteed by certain overseas subsidiaries of the Group. The 2018 Guaranteed Notes matures on 3 May 2018. The 2018 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

The carrying amount of the 2018 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US\$4,500,000 (equivalent to approximately RMB27,686,000) and the effective interest rate of the 2018 Guaranteed Notes is 7.37% per annum.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 24. ISSUED CAPITAL

	Number of shares	Shares capital US\$
Authorised Ordinary shares of US\$0.01 each at 31 December 2015 and 30 June 2016	10,000,000,000	100,000,000
Issued and fully paid Ordinary shares of US\$0.01 each at 31 December 2015	6,368,215,810	63,682,158
Issued of new shares	891,550,213	8,915,502
At 30 June 2016	7,259,766,023	72,597,660

On 18 February 2016, the Company completed the rights issue of 891,550,213 rights shares at the subscription price of HK\$4.31 per rights share on the basis of 7 rights shares for every 50 shares held on the record date.

The Company does not have any share option scheme.

### 25. PLEDGE OF ASSETS

The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Restricted bank deposits	496,295	601,417
Property, plant and equipment	–	326,900
	496,295	928,317

### 26. CAPITAL COMMITMENTS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	3,311,608	6,374,696
– authorised but not contracted for	9,274,260	11,388,467
	12,585,868	17,763,163

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 27. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### (a) Categories of financial instruments

Set out below is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 30 June 2016 and 31 December 2015:

	30 June 2016 RMB'000	31 December 2015 RMB'000
<b>Financial assets:</b>		
Investments in associates – loans to associates	298,114	292,212
Trade receivable	424,528	1,052,939
Bills receivable	8,279,504	7,503,961
Financial assets included in prepayments, deposits and other receivables	896,529	151,340
Restricted bank deposits	496,295	601,417
Cash and cash equivalents	12,586,387	8,488,534
	<b>22,981,357</b>	18,090,403

Set out below is an overview of financial liabilities held by the Group as at 30 June 2016 and 31 December 2015:

	30 June 2016 RMB'000	31 December 2015 RMB'000
<b>Financial liabilities at amortised cost:</b>		
Trade and bills payables	5,430,613	5,754,305
Financial liabilities included in other payables and accruals	9,860,617	9,138,203
Dividends payables	12	–
Bank borrowings – due within one year	10,307,160	11,911,430
Other borrowings – due within one year	–	75,000
Short-term debentures	16,000,000	14,000,000
Guaranteed notes – due within one year	2,638,897	–
Bank borrowings – due after one year	9,984,318	11,465,162
Medium-term debentures and bonds – due after one year	26,766,972	11,905,771
Guaranteed notes – due after one year	1,975,129	4,505,961
	<b>82,963,718</b>	68,755,832

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 27. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

#### (b) Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	30 June 2016		31 December 2015	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Listed				
Medium-term debentures and bonds due after one year	15,152,451	15,216,917	3,260,277	3,417,138
Unlisted				
Medium-term debentures and bonds due after one year	11,614,521	11,848,947	8,645,494	8,973,506
Guaranteed notes – due within one year	2,638,897	2,541,646	–	–
Guaranteed notes – due after one year	1,975,129	1,839,245	4,505,961	4,689,619
Bank borrowings – due after one year	9,984,318	9,856,013	11,465,162	11,459,941

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, loans to associates financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, borrowings – due within one year, short-term debentures and notes approximate to their carrying amounts largely due to the short term maturities of these instruments.

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 27. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

### (b) Fair value measurements (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2016	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial liabilities at amortised cost:</b>				
Medium-term debentures and bonds – due after one year – listed	15,216,917	–	–	15,216,917
Medium-term debentures and bonds – due after one year – unlisted	–	11,848,947	–	11,848,947
Guaranteed notes – due within one year	–	2,541,646	–	2,541,646
Guaranteed notes – due after one year	–	1,839,245	–	1,839,245
Bank borrowings – due after one year	–	9,856,013	–	9,856,013
	<b>15,216,917</b>	<b>26,085,851</b>	<b>–</b>	<b>41,302,768</b>

As at 31 December 2015	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
<b>Financial liabilities at amortised cost:</b>				
Medium-term debentures and bonds due after one year – listed	3,417,138	–	–	3,417,138
Medium-term debentures and bonds due after one year – unlisted	–	8,973,506	–	8,973,506
Guaranteed notes – due after one year	–	4,649,619	–	4,649,619
Bank borrowings – due after one year	–	11,459,941	–	11,459,941
	<b>3,417,138</b>	<b>25,083,066</b>	<b>–</b>	<b>28,500,204</b>

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 27. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

### (b) Fair value measurements (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of listed medium-term debentures and bonds due after one year is included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 above has been determined using the quoted bid prices in an active market.
- The fair value of unlisted medium-term debentures and bonds, guaranteed notes, and bank borrowings due after one year are included in Level 2 of the fair value hierarchy. The fair values of the financial liabilities included in the Level 2 category above have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

## 28. 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
濱州魏橋科技工業園有限公司 ("Binzhou Industrial Park") (note i)	Controlled by Chuangye Group
沾化金沙供水有限公司 ("Jinsha Water Supply") (note i)	An associate of Chuangye Group
ABM	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company

Notes:

- (i) The English names of the above companies 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.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

### 28. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Purchases of carbon anode blocks		
– Aluminum Technology	–	156,002
Purchases of water		
– Jinsha Water Supply	8,362	–
Purchases of bauxite		
– ABM	443,828	–
Sales of slag of carbon anode blocks		
– Aluminum Technology	–	10,525
Sales of steam		
– Binzhou Industrial Park	13,087	–

### (c) Compensation of key management personnel

	For the six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Short term employee benefit	2,891	2,856
Retirement benefits scheme contributions	30	25
	2,921	2,881

### (d) Guarantees

	30 June 2016 RMB'000	31 December 2015 RMB'000
Chuangye Group	450,000	450,000

# Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended 30 June 2016

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (e) Balances with related party

	30 June 2016 RMB'000	31 December 2015 RMB'000
Loans to associates		
– WAP	298,114	292,212
Trade payable		
– ABM	77,167	116,445
– Jinsha Water Supply	1,792	1,233

The related party transactions mentioned above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 29. EVENTS AFTER THE REPORTING PERIOD

Other than events below, no significant event has taken place subsequent to 30 June 2016.

As stated in Note 1 to this report, as of 14 July 2016, Shandong Hongqiao paid remaining deposits in the amount of RMB400,000,000 to the account co-managed by the two parties, and Mr. Yu's 254,710,000 shares of Loftan was pledged to Shandong Hongqiao on the same date. Then on 29 July 2016, the remaining 6,386,605 of the total target shares was pledged to Shandong Hongqiao by Mr. Yu.

On 15 July 2016, Shandong Hongqiao issued the second tranche of private placement enterprise bonds of a principal amount of RMB3,000,000,000 with a maturity date of 15 July 2021. The interest rate is 6.48% per annum for 3 years, and up to 15 July 2019. At the end of the third year, on 15 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last two years.

## 30. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 12 August 2016.