China Hongqiao Group Limited

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB' global scale Long-term Issuer and Issuance Credit Rating of China Hongqiao Group Limited; Issuer Rating Outlook Revised to Positive

Summary	
Issuer Rating	BBB
Outlook	Positive
Location	China
Industry	Metals and Mining (Aluminium)
Date	23 November 2026

Summary

The Issuer Rating reflects China Hongqiao Group Limited's (1378.HK) ("China Hongqiao") solid operating performance, profitability and financial performance which was supported by the strong aluminum prices, as well as its optimized financing structure, improved leverage, established leading market position and cost advantage backed by its vertically integrated production platform and economy of scale. However, China Hongqiao's rating is constrained by the cyclical nature of the aluminum industry and its regulation and concentration risks.

The Positive Outlook reflects our expectation that China Hongqiao will continue to maintain and improve its operating performance and efficiency, financing structure, financial performance and metrics which enables the company to mitigate the cyclical nature of the industry.

Lianhe Global has also affirmed 'BBB' global scale Long-term Issuance Credit Rating of the USD bonds issued by China Hongqiao at the same time. A full list of affirmed issuance rating is included in this report.

Rating Rationale

Optimizing Debt Structure with Improved Financial Matrix: China Hongqiao's total debt decreased to RMB67.4 billion at end-June 2026 from RMB74.4 billion at end-2025, leading to a decrease in its debt capitalization ratio to 32.0% from 34.4% at the same time. Also, China Hongqiao was reshaping the average duration of its debt given the new debt was driven mainly by long-term borrowings. China Hongqiao had already reduced its short-term debt as a share of total debt to 37.6% and 38.0% at end-June 2026 and end-2025, respectively, compared with 61.8% at end-2024.

China Hongqiao also continued to replace high-cost debt with low-cost instruments. In May 2026, China Hongqiao issued a 363-day convertible bond with a record-low zero coupon. This helped cut its financial expenses by 13.6% year-on-year in 1H2026. At the same time, given the expected improvement in profitability and earnings growth, we expect China Hongqiao's financial leverage, as measured by debt over EBITDA, to remain low at 1.5-1.6x in 2026-2028.

China Hongqiao's unrestricted cash decreased to RMB46.1 billion at end-June 2026 from RMB51.2 billion at end-2025. Nevertheless, its reported short-term debts also decreased to RMB25.4 billion at end-June 2026. As a result, its cash-to-short-term debt ratio increased to 192.8% at end-June 2026, compared with 192.7% and 105.5% at end-2025 and end-2024, respectively. In addition, China Hongqiao maintains smooth access to the capital market including equity placement, offshore and onshore bond issuance, convertible bond issuance, etc., which offer the company an ample buffer to the market volatility.

Solid Financial Performance: China Hongqiao reported a year-on-year growth of 8.0% for its total revenue to RMB87.5 billion in 1H2026, while the reported net profit increased by 39.2% year-on-year to RMB17.2 billion at the same time. The revenue and earnings growth was mainly fueled by increased revenue and improved gross margins of the aluminum alloy product segment. The average selling prices of aluminum alloy products increased by 18.7% year-on-year in 1H2026,

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Applicable Criteria

General Corporate Rating Criteria (31 December 2025)

which boosted the segment revenue growth by 14.8% and the segment gross profit margin by 13.3 percentage points year-on-year.

Overall, we expect that the aluminum price and demand may have some fluctuations but will remain solid in the next 12 months. Therefore, we expect China Hongqiao is able to achieve a steady total revenue growth of 3-7% per annum in 2026-2028.

Strong Profitability Driven by Resilient Aluminum Price: China Hongqiao's profitability maintains a steady upward trend in the past few years, which was mainly driven by its unrivaled cost control capabilities, optimized product mix, and favorable industry dynamics. China Hongqiao's reported gross margin increased to 31.5% in 1H2026, representing an increase of 5.8 percentage points compared with 25.7% in 1H2025. It was primarily driven by the segment gross margin for its major products, including aluminum alloy products and aluminum fabrication products, which recorded notable year-on-year increase between 8.9 and 13.3 percentage points. On the other hand, the overall gross profit margin decreased by 1.4 percentage point to 25.6% in 2025, but remained high compared with previous years.

Going forward, the aluminum price is poised for a sustained upward trend driven by a potential supply-demand imbalance. Demand will be fueled by explosive growth in energy storage, power infrastructure, alongside steady uptake from new energy vehicles, offsetting weakness in traditional sectors. On the other side, constraints will remain severe. China is approaching its electrolytic aluminum production cap, leaving minimal room for expansion, while overseas capacity plans (mainly in Indonesia) are delayed by power infrastructure bottlenecks. It is unlikely that the aluminum supply will experience any significant increase driven by production capacity expansion. This mismatch, reinforced by historically low global inventories and reduced deliverable supplies due to higher direct aluminum liquid utilization, should be favorable for the aluminum price to stay robust or increase in the next 12 months.

Industry Profile Remains Steady: Both domestic and international demand for aluminum has been increasing, and despite minor fluctuations in production at times, the industry appears to be stable. In the first half of 2026, primary aluminum consumption grew 0.4% year on year in China and 0.5% globally, according to Antaike. On the other hand, in recent years, primary production growth slowed down as it approached China's aluminum primary production cap, while secondary aluminum production growth increased. Also, some Chinese companies have invested in off-shore smelters in resource rich countries. In the first ten months of 2026, China produced 38.85 million tonnes of primary aluminum, up 3.5% year-on-year.

Although China accounts for over 60% of the world's aluminum production, it also has a similar matching consumption proportion. In addition, demand arising from some segments, such as domestic EV industry, would continue to support a persistent demand growth.

Rating Sensitivities

We would consider downgrading China Hongqiao's rating if (1) it were to increase its financial leverage as measured by its EBITDA interest coverage consistently below 5.0x or debt over EBITDA leverage consistently above 3.5x, or (2) it suffers a significant deterioration in operating performance in terms of revenue, margin or cash flow generation, or its liquidity is materially worsened.

We would consider upgrading China Hongqiao's rating if (1) it maintains its operating performance, and (2) it continues to demonstrate prudent financial management and maintain its financial leverage as measured by its EBITDA interest coverage and debt over EBITDA leverage consistently.

Any rating action on China Hongqiao's rating would result in a similar rating action on its USD bonds.

Company Profile

China Hongqiao is a leading large-scale aluminum producer that mainly focuses on producing and selling aluminum and aluminum products in China. It was established in 1994 by Mr. Zhang Shiping (father of the current Chairman Mr. Zhangbo) and has been listed on the Hong Kong Stock Exchange (1378.HK) since 2011.

Zhang's family was the largest shareholder and held 62.58% stake of China Hongqiao through Trust Company at end-June 2026. CITIC Group Corporation continued to be the strategic cooperator of China Hongqiao and was the second-largest shareholder, holding 5.75% shares of China Hongqiao.

Performance Breakdown by Segment

RMB million	2024	2025	1H2026
Aluiminum alloy products	102,434	106,096	59,575
Alumina	37,352	38,834	16,094
Aluminum fabrication	15,571	16,687	11,366
Steam	812	737	471
Total	**156,169**	**162,354**	**87,506**
Proportion to Total Revenue:			
Aluiminum alloy products	65.6%	65.3%	68.1%
Alumina	23.9%	23.9%	18.4%
Aluminum fabrication	10.0%	10.3%	13.0%
Steam	0.5%	0.5%	0.5%
Total	**100.0%**	**100.0%**	**100.0%**
Year-on-year Change:			
Aluiminum alloy products	8.2%	3.6%	14.8%
Alumina	40.6%	4.0%	-22.1%
Aluminum fabrication	35.4%	7.2%	40.8%
Steam	-12.2%	-9.3%	9.2%
Total	**16.9%**	**4.0%**	**8.0%**
Segment Gross Margin:			
Aluiminum alloy products	24.6%	28.5%	38.5%
Alumina	35.4%	22.2%	6.3%
Aluminum fabrication	24.4%	18.1%	32.2%
Steam	-9.1%	-44.1%	-17.8%
Total	**27.0%**	**25.6%**	**31.5%**

Source: China Hongqiao and Lianhe Global's calculation

China Hongqiao's Shareholder Structure at end-June 2026

Shareholder	Percentage
Hongqiao Holdings [(1)]	62.58%
CITIC Group Corporation[(2)]	5.75%
Other Public Shareholders	31.67%
Total	**100.0%**

(1) Wholly owned by a trustee who holds such interests in shares on behalf of the Zhang's Family
(2) Mainly held by CTI Capital Management Limited, a subsidiary of CITIC Group Corporation.
Source: China Hongqiao

Key Financial Assumptions

- Revenue growth: 3-7% in 2026-2028
- Reported gross margin: 31.7-32.6% in 2026-2028
- Capital expenditure: RMB11-12 billion per annum for 2026-2028

Key Financial Metrics

2024A-2028F	Debt/EBITDA	EBITDA/Interest	Debt/Capitalization	Quick Ratio
Weighted Average	1.5x	12.3x	31.8%	1.3x

Source: China Hongqiao's annual reports and Lianhe Global's adjustments and forecasts

Full List of Issuance Ratings

A full list of affirmed issuance ratings is included below. Any action on China Hongqiao's rating would result in a similar rating action on its USD bonds:

- USD270 million 6.925% senior unsecured bonds due 2028 affirmed at 'BBB'
- USD300 million 1.5% senior unsecured convertible bonds due 2030 affirmed at 'BBB'

Appendix I: China Hongqiao's Rating Factors

Rating Factors	Weight	Initial Rating
I. Market Demand Analysis	**15.0%**	**bbb-**
II. Business Analysis[1]	**45.0%**	**bbb-**
III. Financial Analysis[2]	**40.0%**	**aa-**
IV. Base Score	**100.0%**	**bbb+**
V. Industry Risk		**bb**
VI. Qualifiers		
Liquidity		Neutral
Corporate Governance		Neutral
Debt Structure and Financial Policy		Neutral
Idiosyncratic Analysis		Neutral
Stand-Alone Creditworthiness		**bbb**
VII. External Support		
Corporate Entity Support		Nil
Issuer Credit Rating		**BBB / Positive**

Source: Lianhe Global

[1] Business Analysis contains sub-factors of market position, diversification, competitive position, operating efficiency and profitability.
[2] Financial Analysis contains sub-factors of debt/EBITDA, EBITDA interest coverage, debt/capitalization and quick ratio.

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