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## **China Hongqiao Group Limited**

**中國宏橋集團有限公司**

*(Incorporated under the laws of Cayman Islands with limited liability)*

**(Stock Code: 1378)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **RESULTS HIGHLIGHTS**

- Revenue increased by approximately 39.2% to approximately RMB61,395,578,000 as compared with the previous year
- Gross profit increased by approximately 57.2% to approximately RMB14,196,333,000 as compared with the previous year
- Net profit attributable to shareholders of the Company increased by approximately 84.8% to approximately RMB6,849,829,000 as compared with the previous year
- Basic earnings per share increased by approximately 62.7% as compared with the previous year and were approximately RMB0.96 per share
- Proposed final dividend of HK27.0 cents per share and special dividend of HK20.0 cents per share

The board of directors (the “Board”) of China Hongqiao Group Limited (the “Company” or “China Hongqiao”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2016 (the “Year” or the “Year under Review”).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Revenue	3	<b>61,395,578</b>	44,109,934
Cost of sales		<b>(47,199,245)</b>	(35,081,530)
Gross profit		<b>14,196,333</b>	9,028,404
Other income and gains	5	<b>1,019,222</b>	744,676
Selling and distribution expenses		<b>(164,269)</b>	(88,449)
Administrative expenses		<b>(2,080,550)</b>	(878,696)
Other expenses		<b>(20,063)</b>	(42,670)
Finance costs	6	<b>(3,345,896)</b>	(3,217,096)
Changes in fair value of derivatives		<b>25,987</b>	(209,932)
Share of gains (losses) of associates		<b>129,012</b>	(284)
Gain on disposal of a subsidiary		<b>4,561</b>	-
Profit before taxation		<b>9,764,337</b>	5,335,953
Income tax expense	7	<b>(2,948,667)</b>	(1,657,994)
Profit for the year		<b>6,815,670</b>	3,677,959
Attributable to:			
Owners of the Company		<b>6,849,829</b>	3,706,512
Non-controlling interests		<b>(34,159)</b>	(28,553)
		<b>6,815,670</b>	3,677,959
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translating foreign operations		<b>144,464</b>	63,700
Share of other comprehensive income of associates		<b>7,231</b>	-
		<b>151,695</b>	63,700
Total comprehensive income for the year, net of income tax		<b>6,967,365</b>	3,741,659
Total comprehensive income (expense) for the year attributable to			
Owners of the Company		<b>6,945,267</b>	3,744,731
Non-controlling interests		<b>22,098</b>	(3,072)
		<b>6,967,365</b>	3,741,659
Earnings per share	9		
– Basic (RMB)		<b>0.96</b>	0.59
– Diluted (RMB)		<b>0.96</b>	0.59

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>RMB'000</b>	2015 RMB'000 (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>86,658,456</b>	69,905,236
Prepaid lease payments		<b>3,066,503</b>	1,738,590
Deposits paid for acquisition of property, plant and equipment		<b>1,745,089</b>	1,497,883
Deposits paid for acquisition of land		<b>443,390</b>	–
Deferred tax assets		<b>557,322</b>	255,576
Interests in associates		<b>944,796</b>	309,744
Goodwill		<b>311,769</b>	80,418
Other financial assets		<b>14,631</b>	–
		<b>93,741,956</b>	73,787,447
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>56,152</b>	37,774
Inventories		<b>17,143,324</b>	12,235,436
Trade receivables	<i>10</i>	<b>363,314</b>	1,052,939
Bills receivables		<b>9,721,942</b>	7,503,961
Prepayments and other receivables		<b>8,242,544</b>	2,810,471
Other financial assets		<b>13,047</b>	–
Restricted bank deposits	<i>11</i>	<b>396,808</b>	601,417
Cash and cash equivalents	<i>11</i>	<b>12,842,380</b>	8,488,534
		<b>48,779,511</b>	32,730,532
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>7,506,386</b>	5,754,305
Other payables and accruals		<b>12,603,276</b>	10,261,532
Bank borrowings – due within one year		<b>14,310,943</b>	11,911,430
Other borrowing – due within one year		–	75,000
Other financial liabilities		<b>1,691</b>	–
Income tax payable		<b>724,632</b>	125,845
Short-term debentures and notes		<b>11,000,000</b>	14,000,000
Medium-term debentures and bonds – due within one year		<b>731,664</b>	–
Guaranteed notes		<b>2,768,436</b>	–
Deferred income		<b>6,106</b>	–
		<b>49,653,134</b>	42,128,112

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2016

	<i>Notes</i>	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i> (Restated)
<b>NET CURRENT LIABILITIES</b>		<b>(873,623)</b>	(9,397,580)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>92,868,333</b>	64,389,867
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year		<b>4,696,770</b>	11,465,162
Deferred tax liabilities		<b>578,097</b>	165,825
Medium-term debentures and bonds – due after one year		<b>39,720,060</b>	11,905,771
Guaranteed notes		<b>2,070,436</b>	4,505,961
Deferred income		<b>114,668</b>	52,490
		<b>47,180,031</b>	28,095,209
<b>NET ASSETS</b>		<b>45,688,302</b>	36,294,658
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>474,057</b>	415,834
Reserves		<b>44,324,255</b>	35,150,690
Equity attributable to owners of the Company		<b>44,798,312</b>	35,566,524
Non-controlling interests		<b>889,990</b>	728,134
<b>TOTAL EQUITY</b>		<b>45,688,302</b>	36,294,658

## **NOTES TO FINANCIAL STATEMENTS**

*For the year ended 31 December 2016*

### **1. CORPORATE INFORMATION**

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Law of Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and ultimate holding company is China Hongqiao Holdings Limited (“Hongqiao Holdings”), a company incorporated in the British Virgin Islands (“BVI”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company, the principal activities of its subsidiaries are principally engaged in the business of manufacture and sales of aluminum products.

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

### **2. PRIOR YEAR ADJUSTMENTS**

In preparing the consolidated financial statements for the year ended 31 December 2016, the Group identified an error in respect of the accounting treatment of certain construction materials purchased from an independent third party during the year ended 31 December 2015. The Group transferred unused construction materials of approximately RMB1,695,322,000 to plant and machinery under property plant and equipment and commences depreciation. Prior year adjustments have been made to reclassify the balances from plant and machinery to construction in progress and reverse the related depreciation expenses in the previously issued consolidated financial statements for the year ended 31 December 2015.

## 2. PRIOR YEAR ADJUSTMENTS (CONTINUED)

The effect of the restatements on the result of the Company by line item is as follows:

	2015 RMB'000
Decrease in costs of sales	(76,961)
Increase in income tax expense	19,240
	<hr/>
Increase in profit and total comprehensive income for the year ended 31 December 2015	<u>57,721</u>

The following reconciliations show the effect of restatement on the financial position of the Group at 31 December 2015 and the Group's profit and total comprehensive income for the year ended 31 December 2015.

	As previously reported RMB'000	Adjustments RMB'000	As restated RMB'000
<b>As at 31 December 2015</b>			
Property, plant and equipment	69,828,275	76,961	69,905,236
Other non-current assets	3,882,211	–	3,882,211
Prepayments and other receivables	2,807,789	2,682	2,810,471
Other current assets	29,920,061	–	29,920,061
Income tax payable	(103,923)	(21,922)	(125,845)
Other current liabilities	(42,002,267)	–	(42,002,267)
Non-current liabilities	(28,095,209)	–	(28,095,209)
	<hr/>	<hr/>	<hr/>
Net assets	<u>36,236,937</u>	<u>57,721</u>	<u>36,294,658</u>
Capital and reserve			
Share capital	415,834	–	415,834
Other reserves	8,084,247	–	8,084,247
Statutory reserve	4,292,876	2,735	4,295,611
Retained earnings	22,715,846	54,986	22,770,832
	<hr/>	<hr/>	<hr/>
Equity attributable to owners of parent	35,508,803	57,721	35,566,524
Non-controlling interests	728,134	–	728,134
	<hr/>	<hr/>	<hr/>
Total equity	<u>36,236,937</u>	<u>57,721</u>	<u>36,294,658</u>
<b>For the year ended 31 December 2015</b>			
Profit and total comprehensive expense for the year	<u>3,683,938</u>	<u>57,721</u>	<u>3,741,659</u>
Basic and diluted earning per share (RMB)	<u>0.58</u>	<u>0.01</u>	<u>0.59</u>

### 3. REVENUE

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue from sales of aluminum products		
– molten aluminum alloy	53,848,144	40,291,596
– aluminum alloy ingots	5,089,082	1,731,393
– aluminum fabrication	2,412,793	2,031,011
Steam supply income	45,559	55,934
	<u>61,395,578</u>	<u>44,109,934</u>

### 4. SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in Mainland China. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

#### Geographic information

Revenue from external customers of the Group are mainly contributable to customers established in the PRC, the place of domicile of the Group's operating entities.

The Group operates principally in the PRC (including Hong Kong) and Indonesia. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
PRC	86,606,096	68,948,542
Indonesia	5,801,141	4,291,117
	<u>92,407,237</u>	<u>73,239,659</u>

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

#### Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Customer A	<u>27,632,747</u>	<u>15,625,790</u>

## 5. OTHER INCOME AND GAINS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Bank interest income	58,642	34,685
Other interest income	45,986	–
Gain from sales of raw materials	71,970	29,555
Gain from sales of scraps materials	184,062	238,530
Gain from sales of slag of carbon anode blocks	500,405	385,233
Reversal of impairment of inventories	42,670	–
Investment gains from derivatives	18,070	–
Amortisation of deferred income	456	–
Value-added tax (“VAT”) income (note)	36,087	–
Gain on disposal of property, plant and equipment	–	4,386
Others	60,874	52,287
	<u>1,019,222</u>	<u>744,676</u>

*Note:* Pursuant to the VAT reform, entities engaged in the finance lease business are eligible for refund of VAT that is in excess of 3% actual VAT rate. The amount represented such VAT refund income received by a subsidiary of the Company who is engaged in finance lease business.

## 6. FINANCE COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest expenses on bank borrowings	1,018,423	997,873
Interest expenses on other borrowings	9,482	11,415
Interest expenses on short-term debentures and notes	594,715	578,789
Interest expenses on medium-term debentures and bonds	1,522,945	676,701
Interest expenses on guaranteed notes	360,667	337,227
Interest expenses on convertible bonds	–	46,672
Foreign exchange losses, net	–	999,615
	<u>3,506,232</u>	<u>3,648,292</u>
Less: amounts capitalised under construction in progress	<u>(160,336)</u>	<u>(431,196)</u>
	<u>3,345,896</u>	<u>3,217,096</u>



## 7. INCOME TAX EXPENSE

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Current tax:		
– Hong Kong Profit Tax	–	9,307
– PRC Enterprise Income Tax	<u>2,949,785</u>	<u>1,790,408</u>
	<u>2,949,785</u>	<u>1,799,715</u>
Under provision in prior year		
– PRC Enterprise Income Tax	<u>3,700</u>	–
Deferred taxation	<u>(4,818)</u>	<u>(141,721)</u>
Total income tax expense for the year	<u><u>2,948,667</u></u>	<u><u>1,657,994</u></u>

## 8. DIVIDENDS

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2015 final dividends – HK15 cents per share	<b>930,705</b>	–
2014 final dividends – HK28 cents per share	<u>–</u>	<u>1,367,957</u>
	<u><b>930,705</b></u>	<u>1,367,957</u>

During the current year, a final dividend of HK\$1,082,597,000 (equivalent to approximately RMB930,705,000) at HK\$15 cents per share based on 7,259,766,023 shares as at 18 February 2016 (2015: HK\$1,725,046,000 (equivalent to approximately RMB1,367,957,000), at HK\$28 cents per share in respect of the year ended 31 December 2014) was proposed by the directors of the Company and approved by the shareholders in the annual general meeting and paid to the owners of the Company.

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

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

## 9. EARNINGS PER SHARE

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

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share	<u><b>6,849,829</b></u>	<u>3,706,512</u>
<b>Number of shares</b>		
	<b>2016</b> <i>'000</i>	2015 <i>'000</i>
Weighted average number of ordinary shares in issue during the year	<b>7,142,521</b>	6,277,594
Bonus element of rights issue (note)	<u><b>3,022</b></u>	<u>22,654</u>
	<u><b>7,145,543</b></u>	<u>6,300,248</u>

*Note:* On 18 February 2016, the Company completed the rights issue of 891,550,213 right shares and accordingly the earnings per share for the year ended 31 December 2015 have been restated to reflect the effect of rights issue.

Diluted earnings per share was the same as the basic earnings per share for both years as there were no dilutive ordinary shares outstanding as at 31 December 2016 and 2015.

## 10. TRADE RECEIVABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade receivables	370,022	1,052,939
Less: allowance for impairment losses	<u>(6,708)</u>	<u>—</u>
	<u><b>363,314</b></u>	<u><b>1,052,939</b></u>

The Group allows an average credit period of 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 presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period.

The Group has a policy of allowing average credit period of 90 days to its trade customers.

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 3 months	355,508	1,043,484
3-12 months	<u>7,806</u>	<u>9,455</u>
	<u><b>363,314</b></u>	<u><b>1,052,939</b></u>

## 11. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Cash and bank balances	12,830,212	8,447,534
Time deposits	<u>408,976</u>	<u>642,417</u>
	<b>13,239,188</b>	9,089,951
Less:		
Restricted bank balances	(2,832)	—
Pledged time deposits:		
– pledged for issuance of letter of credit	(265,976)	(423,417)
– pledged for guarantee issued	<u>(128,000)</u>	<u>(178,000)</u>
Cash and cash equivalents	<u><b>12,842,380</b></u>	<u><b>8,488,534</b></u>

Cash and cash equivalents are principally RMB-denominated deposits placed with banks in the PRC. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 11. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSIT (CONTINUED)

Bank balances carry interest at market rates which range from 0.01% to 3.0% (2015: 0.001% to 3.0%) per annum.

As at 31 December 2016, bank balances of approximately RMB2,832,000 (2015: nil) were frozen by the Zhang Yuan Xian District Court.

Pledged time deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantee issued by the Group. The time deposits carry fixed interest rate from 0.05% to 3.30% (2015: 0.05% to 3.30%) per annum.

## 12. TRADE AND BILLS PAYABLES

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Trade payables	<b>7,506,386</b>	5,604,305
Bills payable	–	150,000
	<b>7,506,386</b>	<b>5,754,305</b>

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 6 months	<b>7,462,550</b>	5,566,271
6-12 months	<b>31,927</b>	31,936
1-2 years	<b>7,541</b>	3,991
More than 2 years	<b>4,368</b>	2,107
	<b>7,506,386</b>	<b>5,604,305</b>

The average credit period on purchases of goods is six months. The trade payables are non-interest-bearing and are normally settled on a term of to six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Bills payable were bills of acceptance with maturity of less than one year.

## **CHAIRMAN’S STATEMENT**

It is my pleasure to present on behalf of the Board of China Hongqiao the consolidated annual results of the Group for the year ended 31 December 2016.

### **PRECISE PLANNING AND WELL PREPARED FOR SMOOTH OPERATION**

In 2016, the global political and economic landscapes were unpredictable while the financial markets continued to fluctuate. However, with the improved macro-risk preference in the global market and the upward trend in the major commodities markets, prices of non-ferrous metals rebounded from low levels recorded in recent years, especially the price of primary aluminum. The economic development in China remained stable with a Gross Domestic Product (“GDP”) growth rate of approximately 6.7% in 2016. With the increased effort in promoting structural reforms, China’s economic trend has obviously shifted into a L-shaped growth pattern. Driven by the implementation of the national supply-side reform policies, market pricing mechanisms, industry self-regulation and the increase in demand, the aluminum industry of China has progressively stepped out of the difficult period since the end of 2015 and moved towards a positive development stage.

During the Year under Review, China Hongqiao continued to adhere to its established development strategies for stable operation and further improvement, achieving breakthroughs in various aspects. The Group strengthened its industrial distribution, adopted strategies for procurement of raw materials from multiple-resource channels, further consolidated the global resource allocation strategy and maintained safety and stability of upstream material supply for the long term. The Group continued to increase the investment in green production technology innovation and effectively controlled the costs by virtue of scale advantages and reasonable resource allocation, enabling the Group to maintain its leading position among the industry.

### **RESULTS AND PERFORMANCE**

As of 31 December 2016, the Group’s aggregate designed annual production capacity of aluminum products was approximately 7,436,000 tons (31 December 2015: approximately 5,186,000 tons), representing an increase of approximately 43.4% as compared to the corresponding period of 2015.

During the Year under Review, the Group’s revenue amounted to approximately RMB61,395,578,000, representing a year-on-year increase of approximately 39.2%; gross profit amounted to approximately RMB14,196,333,000, representing a year-on-year increase of approximately 57.2%; net profit attributable to shareholders of the Company amounted to approximately RMB6,849,829,000, representing a year-on-year increase of approximately 84.8%; basic earnings per share amounted to approximately RMB0.96 (2015: approximately RMB0.59 (restated)). The Board recommended the payment of a final dividend of HK27.0 cents per share for 2016 (2015: HK15.0 cents per share) and a special dividend of HK20.0 cents per share (2015: nil).

## **EMBARKING ON AN INNOVATIVE JOURNEY AND STRATEGICALLY POSITIONED TO SHOULDER RESPONSIBILITIES**

During the Year under Review, with the economic strategy of “One Belt, One Road” implemented by the government, the major overseas projects of the Group endeavored to develop the local communities where the businesses are located while realising the commercial values. The Group successfully created a complete bauxite supply chain in Guinea, linking Africa and China, which not only ensures a stable source of upstream raw materials, but also contributes to the employment, medical welfare, tax revenue and infrastructures there. The Group’s joint venture alumina production base project in Indonesia, with a designed annual capacity of one million ton has made great progress since its operation in the first half of 2016. The alumina production base has gradually released its capacity in full and has satisfied the needs for the Group’s operation and production, and expanded the alumina customer base outside China while facilitating development of local alumina and power industry in Indonesia as well as creating job opportunities. Moreover, while maintaining a stable supply of bauxite in Australia, Brazil, India and Malaysia, the Group also developed procurement channels in Sierra Leone and Jamaica, which strengthened its raw materials network of “Integration of Upstream and Downstream Businesses” and “Global Integration”.

As for “Integration of Aluminum and Electricity”, the Group strictly implemented environment-friendly production models and strived for “green development”. In recent years, the Group has constantly put resources in and completed reform of extra-low-emission for all power production facilities and as a result, all power production facilities have met the level higher than the required effluent standard for gas-fired generation units. Furthermore, the Group’s installed capacity of the power plants further increased and the level of self-supplied power generation was stable, providing sufficient energy support for the business development of the Group. Notably, apart from the world leading 600kA aluminum production line which has been put into operation since 2015, the intelligent production technology of the Group has basically achieved unmanned operation. In view of the above accomplishments, the Group was awarded the “Pioneer in Energy Efficiency” by the National Development and Reform Commission of the People’s Republic of China (the “PRC”), the Ministry of Industry and Information Technology of the PRC and General Administration of Quality Supervision, Inspection and Quarantine of the PRC in 2016, in recognition of the Group’s achievements in energy saving and emission reduction.

During the Year under Review, the Group proactively shouldered the corporate social responsibilities contributing to the industry development. At the beginning of 2016, the Group participated in and advocated the establishment of the Antaike Aluminum Ingot-Spot Index. For more than a year since its launch, the new index has showcased fairness as a third party, reflected the market demand and supply situation and made the market order more standardised, providing strong support and guiding impact to the market price of primary aluminum. As one of the world’s largest aluminum producer, China always plays an important role in the industry covering from production technology to consumer applications. The Group also took part in discussions regarding international aluminum industry development and proposed recommendations based on its own experiences, exhibiting the valuable Chinese perspective to the international aluminum industry.

## **LOOKING FORWARD TO A BRIGHT FUTURE**

In 2017, uncertainties in the world economy will be more pronounced and the market trend of major commodities may also change accordingly. The economic development goal of China is clearly positioned, which is designed to continuously adjust the economic structure and intensify the supply side structural reform. The country will impose more stringent requirements on environment protection and technological standards, and also strengthen industry self-regulation. China's aluminum industry will hence develop in a healthy and orderly manner. With collaborative efforts of the government, the industry and enterprises, the supply-and-demand relationship in China will be more in line with the market. The Group believes that the strong momentum in demand on primary aluminum in 2016 will continue, especially in the sectors of construction, transportation, as well as electronics and power. In this regard, growth in investments in China's power grids will accelerate, and the country's automobile production will revive strongly, which forms another key growth driver in consumption of primary aluminum. Aluminum demands on consumer products will remain high while demand for aluminum used in electronic goods, food and pharmaceutical packaging will steadily increase.

The Group's industrial planning is at its final phase and stepping into a strategic developing stage for better quality. In addition to maintaining its existing advantages, the Group will identify acquisition opportunities for development of downstream businesses, so as to expand its supply chain and enrich its product range. The Group will further explore the market, strive for sustainable development, reduce costs and enhance efficiency as well as reasonably allocate resources, creating long-term values for shareholders.

## **APPRECIATION**

On behalf of the Board, I would like to thank the Group's management team and all employees for their unrelenting efforts and dedication made in 2016, as well as to all the shareholders, investors and business partners for the support and trust.

**Zhang Shiping**

*Chairman of the Board*

27 October 2017

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

During the Year, amidst the global perpetually-changing economic climate and improved macro-risk preferences, prices of major commodities recovered. The global aluminum price, in general, showed an upward trend with fluctuations, and gradually emerging from the low levels hit by the end of 2015. The aluminum price at the London Metal Exchange (“LME”) increased from approximately US\$1,480 per ton in January 2016 to approximately US\$1,722 per ton at the end of December while the average three-month aluminum futures price decreased by approximately 4.6% from approximately US\$1,682 per ton to approximately US\$1,605 per ton as compared with last year, with the decline narrowed by approximately 6.5 percentage points. The overall domestic aluminum futures price trend was going up and its growth momentum was much higher than the market forecasts. At as the end of 2016, the spot price of Antaike aluminum ingots was RMB12,963 (including value-added tax, “VAT”) per ton, representing an increase of approximately 16.5% from RMB11,130 (including VAT) per ton at the beginning of the year. During the Year, the price of Antaike aluminum ingots continued to show a rising trend in general, the annual average price of Antaike aluminum ingots was RMB12,558 per ton (including VAT).

The increasing trend of domestic aluminum prices was mainly due to various factors, including the drop in aluminum price to the second lowest seen in history by the end of 2015, the event of reduction in production capacity, which was the largest industrial campaign in recent years, and the flexible production conducted by aluminum product manufacturers in China, as well as the elimination of production processes which were obsolete and not environment-friendly. As for the market mechanism, the third-party-compiled Antaike Aluminum Ingot-Spot Index was adopted by major manufacturers in the industry in January 2016, which was independent and designed to effectively prevent speculation in the futures market. In addition, under the background of various national macro policies, overall prices of raw materials of major commodities rebounded and prices of raw materials used in the primary aluminum industry surged almost across the board. For instance, the per annum price growth of coal has increased over 100% and costs of domestic alumina, carbon and transportation also increased, which to a certain extent, supported the price level of futures.

During the Year under Review, production capacity of aluminum in the foreign market grew in 2016. According to data provided by Antaike, the global production volume of primary aluminum for 2016 amounted to approximately 59,500,000 tons, representing an increase of approximately 4.2% as compared with last year. In 2016, growth in the production volume of primary aluminum in China hit its lowest level since the beginning of the new millennium. However, driven by the increasing trend of aluminum price and the substantial improvement in operation of enterprises, the production volume of primary aluminum in China amounted to 32,650,000 tons for the year 2016, representing an increase of approximately 6.0% as compared with last year, the growth rate decreased by 3.4 percentage points. The domestic demand in China had a strong momentum, with solid growth in the consumption of primary



aluminum especially in construction, transportation and electronics and power sectors, which in turn laid a sound foundation for the growth in domestic consumption of primary aluminum. In 2016, the consumption of primary aluminum in China was approximately 32,800,000 tons, representing an increase of approximately 8.2% as compared with last year.

## BUSINESS REVIEW

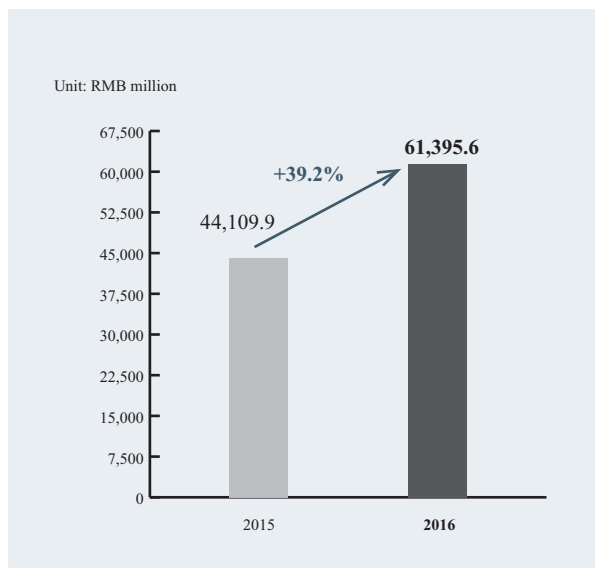
During the Year, the Group adhered to its strategies to strengthen its unique industry cluster model and further extended its production capacity and industrial chain, enhancing the cost advantage and core competitiveness to reinforce the Group's industrial leading position.

As of 31 December 2016, the Group's aggregate designed annual production capacity of aluminum products reached approximately 7,436,000 tons (31 December 2015: approximately 5,186,000 tons), representing a year-on-year increase of approximately 43.4%.

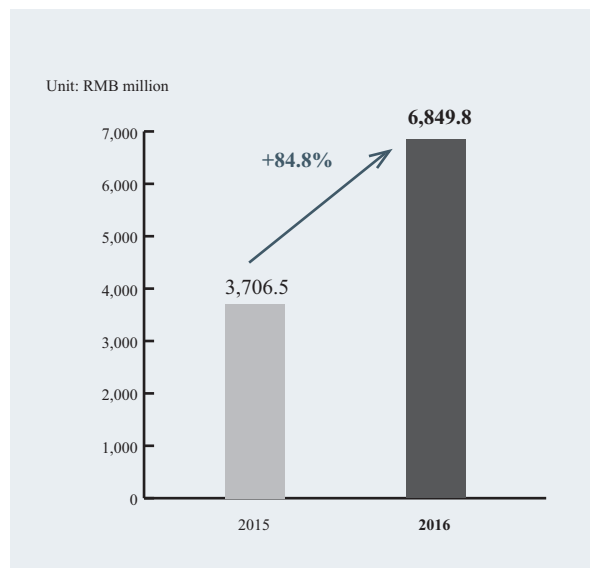
Driven by the increase in downstream market demand and the increase in the Group's production capacity, the Group's aggregate production volume of aluminum products in 2016 amounted to approximately 6,040,000 tons, representing a year-on-year increase of approximately 36.6%; the production volume of aluminum fabrication products reached approximately 299,000 tons, representing a year-on-year increase of approximately 52.3%.

The Group's revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2016, with comparison figures for the year ended 31 December 2015, are as follows:

### Revenue



### Net profit attributable to shareholders of the Company



For the year ended 31 December 2016, the Group recorded revenue of approximately RMB61,395,578,000, representing a year-on-year growth of approximately 39.2%, mainly due to an increase in the Group's production and sales volume of aluminum products following a further increase in the Group's production capacity of aluminum products. During the Year, sales volume for the Group's aluminum products and aluminum fabrication products reached approximately 5,687,526 tons in total, representing an increase of approximately 32.8% as compared to approximately 4,281,847 tons of last year. Affected by the price hike in China's aluminum market, the Group's average selling price of aluminum products increased by approximately 4.8% from approximately RMB10,289 per ton (excluding VAT) in 2015 to approximately RMB10,787 per ton (excluding VAT) in the Year.

For the year ended 31 December 2016, net profit attributable to shareholders of the Company amounted to approximately RMB6,849,829,000, representing a year-on-year increase of approximately 84.8%. The profit increased due to the year-on-year increase in the production and sales volumes of the Group's aluminum products and, on the other hand, the increase in the average selling price of aluminum products for the year ended 31 December 2016 as compared with 2015, leading to the growth in gross profit and net profit of the Group's aluminum products.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2016 and 2015.

#### Revenue breakdown by product

Products	For the year ended 31 December			
	2016		2015	
	Revenue <i>RMB'000</i>	Percentage of total revenue %	Revenue <i>RMB'000</i>	Percentage of total revenue %
Molten aluminum alloy	53,848,144	87.7	40,291,596	91.4
Aluminum alloy ingots	5,089,082	8.3	1,731,393	3.9
Aluminum fabrication	2,412,793	3.9	2,031,011	4.6
Steam	45,559	0.1	55,934	0.1
Total	<u>61,395,578</u>	<u>100.0</u>	<u>44,109,934</u>	<u>100.0</u>

As for revenue, the Group's revenue derived from aluminum products was approximately RMB61,350,019,000, accounting for approximately 99.9% of the total revenue for the year ended 31 December 2016. Among which, the proportion of aluminum alloy ingots in the revenue increased due to the fact that the Group actively expanded its domestic aluminum alloy ingots market along with the increase in the Group's production volume, while satisfying the demand for molten aluminum within the aluminum industrial cluster where the Group's production base is located, resulting in an increase in the proportion of aluminum alloy ingots. Revenue derived from sale of steam was approximately

RMB45,559,000, accounting for approximately 0.1% of the total revenue. The decrease in the revenue derived from sale of steam was mainly resulted from the increase of the Group's usage of steam during the process of production of major raw materials, thus steam available for sale to third parties decreased accordingly.

## FINANCIAL REVIEW

### Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin from its major products for the years ended 31 December 2016 and 2015.

Products	For the year ended 31 December					
	2016			2015		
	Revenue <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %	Revenue <i>RMB'000</i>	Gross profit <i>RMB'000</i>	Gross profit margin %
Aluminum products	61,350,019	14,183,417	23.1	44,054,000	9,000,990	20.4
Steam	45,559	12,916	28.4	55,934	27,414	49.0
Total	<u>61,395,578</u>	<u>14,196,333</u>	<u>23.1</u>	<u>44,109,934</u>	<u>9,028,404</u>	<u>20.5</u>

For the year ended 31 December 2016, the overall gross profit margin of the Group's products was approximately 23.1%, representing an increase of approximately 2.6 percentage points as compared to approximately 20.5% for the corresponding period of last year, mainly due to the increase of the unit selling prices of aluminum products during the Year as compared to the corresponding period of last year. The Group expects that with the gradual increase in the proportion of self-supplied alumina, there will be a positive effect on the Group's overall gross profit margin.

### Distribution and selling expenses

For the year ended 31 December 2016, the Group's distribution and selling expenses amounted to approximately RMB164,269,000, increased approximately by 85.7% as compared to approximately RMB88,449,000 for the corresponding period of last year. This was mainly attributable to the increase in the sales of aluminum products and the increase in the average unit price of transportation.

### Administrative expenses

For the year ended 31 December 2016, administrative expenses of the Group amounted to approximately RMB2,080,550,000, representing an increase of approximately 136.8% as compared to approximately RMB878,696,000 for the corresponding period of last year. Such increase was mainly due to the increase in staff remuneration and other expenses and the increase in fees as a result of the re-classification of exchange losses to administrative expense during the Year.

## **Finance costs**

For the year ended 31 December 2016, finance costs of the Group were approximately RMB3,345,896,000, representing an increase of approximately 4.0% when compared to approximately RMB3,217,096,000 for the corresponding period of last year. This was mainly due to, on one hand, an increase in total interest bearing liabilities during the Year as compared to the corresponding period of last year which resulted in an increase in interest expenses charged to the Group, and on the other hand, the decrease in exchange losses included in finance costs during the Year as result of the classification of the amount incurred in exchange losses in 2016 into administrative expense.

## **Liquidity and capital resources**

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB12,842,380,000, representing an increase of approximately 51.3% as compared to approximately RMB8,488,534,000 as at 31 December 2015.

For the year ended 31 December 2016, the Group had net cash outflow from investing activities of approximately RMB29,248,825,000, net cash inflow from financing activities of approximately RMB20,589,010,000, and net cash inflow from operating activities of approximately RMB12,829,039,000.

For the year ended 31 December 2016, the capital expenditure of the Group amounted to approximately RMB20,830,387,000, mainly applied in the expansion of its aluminum production capacity and construction of ancillary captive power facilities and the alumina production base in Indonesia.

As at 31 December 2016, the Group had a capital commitment of approximately RMB3,307,392,000, which is capital expenditure for acquisition of properties, plant and equipment in the future primarily used for the production capacity expansion for aluminum products, and construction of ancillary captive power facilities and the alumina production base in Indonesia.

For the year ended 31 December 2016, the Group's average turnover days of trade receivables were approximately 4 days, representing a decrease of approximately 2 days as compared to approximately 6 days for the corresponding period of last year. This was mainly due to the fact that, in order to strengthen the business relations with premium clients of aluminum products, the Group had granted provisional credit periods to some premium clients for its aluminum products in 2015, so that the Group's trade receivables turnover days decreased from the corresponding period of last year as those provisional credit periods were withdrawn before the end of 2016, still remained at a low level by industry standards.

For the year ended 31 December 2016, the Group's turnover days of inventory was approximately 114 days, representing a decrease of approximately 8 days as compared to approximately 122 days for the corresponding period of last year, which was mainly due to the stringent inventory management by the Group and the low cost of maintaining inventories for various items during the Year.

## **Contingent liability**

As at 31 December 2016, the Group has no significant contingent liability.

## **Income tax**

The Group's income tax for 2016 amounted to approximately RMB2,948,667,000, increased by approximately 77.8% as compared to approximately RMB1,657,994,000 (restated) for the corresponding period of last year, which was mainly attributable to the increase in profit before tax of the Group.

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

Net profit attributable to shareholders of the Company was approximately RMB6,849,829,000 for the year ended 31 December 2016, representing an increase of approximately 84.8% as compared to approximately RMB3,706,512,000 (restated) for the corresponding period of last year.

Basic earnings per share of the Company in 2016 were approximately RMB0.96 (2015: approximately RMB0.59 (restated)).

## **Capital structure**

The Group had established an appropriate liquidity risk management framework to secure the short-term, medium-term and long-term funding and to satisfy its liquidity risk management requirements. As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB12,842,380,000 (31 December 2015: approximately RMB8,488,534,000), which were mainly deposited with commercial banks.

As at 31 December 2016, the total liabilities of the Group amounted to approximately RMB96,833,165,000 (31 December 2015: approximately RMB70,223,321,000). Gearing ratio (total liabilities to total assets) was approximately 67.9% (31 December 2015: approximately 65.9%).

As at 31 December 2016, the total bank borrowings of the Group amounted to approximately RMB19,007,713,000. The Group maintained a balanced portfolio of borrowings at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2016, approximately 9.5% of the Group's bank borrowings were subject to fixed interest rates while the remaining of approximately 90.5% were subject to floating interest rates.

As at 31 December 2016, debts except bank borrowings of the Group consisted of RMB11,000,000,000 of short-term notes, approximately RMB40,451,724,000 of medium-term notes and bonds as well as approximately RMB4,838,872,000 of guaranteed notes with interest rates ranging from 3.00% to 8.69% per annum. The issuances of these notes and bonds helps to optimise the Group's debt structure and reduce the finance costs.

The Group aims to maintain a balance between the continuity and flexibility of funding by deploying various debt mixes. As at 31 December 2016, approximately 38.3% of the Group's liabilities will become due within one year.

As at 31 December 2016, the current liabilities of the Group outstripped the current assets by approximately RMB873,623,000. The Group will continue to develop other financing channels by increasing part of the medium-term and long-term borrowings and adjusting the structure of debts. In addition, the Group will properly control the capital expenditure, to sustain its existing production capacity, control its production costs, improve the profitability and improve its cash flow position, so as to maintain the adequate liquidity of the Group's capital. Having considered the fact that the Group did not encounter any difficulty in renewal of the short-term bank borrowings of the Group upon maturity, the Board is of the view that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

As at 31 December 2016, the Group's debts were mainly denominated in RMB and US Dollars, among which, RMB debts and US Dollar debts accounted for approximately 79.1% and approximately 20.9% of the total debts, respectively. Cash and cash equivalents were mainly held in RMB and US Dollars, among which, approximately 91.0% was held in RMB and approximately 8.7% was held in US Dollars.

### **Employee and remuneration policy**

As at 31 December 2016, the Group had 60,537 employees in total, decreased by 4,539 employees as compared to the corresponding period of last year. The decrease was attributable to the Group's implementation of the elimination system of the least competent for optimising human resources and motivating employees. During the Year, the total staff costs amounted to approximately RMB3,504,971,000, accounting for approximately 5.7% of the Group's revenue. The remuneration packages of the Group's employees include salaries and various types of allowances.

In addition, the Group has established a performance-based incentive mechanism, under which employees may be awarded additional bonus. The Group is providing training programmes for its employees to equip themselves with the required skills and knowledge.

### **Foreign exchange risk**

The Group collected most of its revenue in RMB and funded most of its capital expenditures in RMB. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings and senior notes are denominated in foreign currencies, the Group is exposed to certain risks of foreign exchange. As at 31 December 2016, the Group's bank balances denominated in foreign currencies were approximately RMB1,156,111,000, and liabilities denominated in foreign currencies were approximately RMB16,537,421,000. For the year ended 31 December 2016, the Group recognised foreign exchange loss of approximately RMB778,954,000.

The Group utilised financial instrument, which is foreign currency forward contracts and interest rate swap contracts, to reduce the risk of fluctuation in foreign currencies and interest rate for the year ended 31 December 2016. As at 31 December 2016, the financial assets derived from the above contracts were approximately RMB27,678,000.



## **EVENTS AFTER THE PERIOD**

### **Share Placing Agreement and CB Placing Agreement**

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

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

### **Suspension of Trading**

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

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

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

## **Other Matters**

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

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

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

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

In the meantime, the management of the Company will proactively seek various measures, including communications with the relevant governmental authorities on the industrial policies and plans, so as to make its best effort to mitigate the adverse effect brought by the Notice. As at the date of this announcement, the Company notes that certain local governments have issued the relevant policy decisions regarding "differential treatment" of industrial enterprises, giving production priority to environmentally-friendly enterprises while placing limitations on high-polluting units, which constitute



an environmentally-friendly differential regulatory mechanism. This further strengthens the policy guidance to compel enterprises to take the initiative to implement environmentally-friendly reforms, thereby accelerating their transformation towards a green development model. As at the date of this announcement, the production and operation and financial conditions of the Group remained normal.

## **SUPPLEMENTARY INFORMATION**

### **SUFFICIENCY OF PUBLIC FLOATING**

Based on the information that is publicly available to the Company and to the best knowledge of the directors of the Company (the “Directors”), the Company has maintained the public float as approved by the Stock Exchange and as permitted under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as at the date of this announcement.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under articles of association of the Company (the “Articles of Association”), and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **THE BOARD**

As at 31 December 2016, the Board comprised of three executive Directors, two non-executive Directors, three independent non-executive Directors. The Board members are as follows:

#### **Executive Directors**

Mr. ZHANG Shiping (*Chairman*)

Ms. ZHENG Shuliang (*Vice Chairman*)

Mr. ZHANG Bo (*Chief Executive Officer*)

#### **Non-executive Directors**

Mr. YANG Congsen

Mr. ZHANG Jinglei

#### **Independent Non-executive Directors**

Mr. XING Jian

Mr. CHEN Yinghai

Mr. HAN Benwen

Mr. Zhang Shiping is the husband of Ms. Zheng Shuliang, father of Mr. Zhang Bo and father-in-law of Mr. Yang Congsen.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the Directors has entered into a service contract with the Company for a term of three years with effect from their respective dates of appointment, unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. None of the Directors being re-elected at the 2016 annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2016 and up to the date of this announcement.

## **EMOLUMENTS OF DIRECTORS**

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance. None of the Directors waived any emoluments during the Year.

## **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or subsisted during the year ended 31 December 2016.

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

As at 31 December 2016, the Directors and chief executive 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, 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 issued shares (%)
Mr. ZHANG Shiping <sup>(1)</sup>	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang <sup>(2)</sup>	Interest of spouse	5,889,024,573	81.12
Mr. ZHANG Bo <sup>(3)</sup>	Beneficial owner	8,870,000	0.12

Notes:

- (1) The interests of Mr. Zhang Shiping in the Company were held through his wholly-owned investment company China Hongqiao Holdings Limited (“Hongqiao Holdings”).
- (2) Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in all the shares of the Company in which Mr. Zhang Shiping is interested.
- (3) Mr. Zhang Bo is the son of Mr. Zhang Shiping and Ms. Zheng Shuliang.

Save as disclosed above, as at 31 December 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 to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangements 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).

## **SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES**

As at 31 December 2016, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping <sup>(1)</sup>	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang <sup>(2)</sup> Shiping Prosperity Private Trust Company <sup>(3)</sup>	Interest of spouse	5,889,024,573	81.12
Hongqiao Holdings	Trustee	5,889,024,573	81.12
	Beneficial owner	5,889,024,573	81.12

Notes:

- (1) Mr. Zhang Shiping is the legal and beneficial owner of the entire issued share capital of Hongqiao Holdings and is deemed to be interested in the shares of the Company held by Hongqiao Holdings.
- (2) Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in all the shares of the Company in which Mr. Zhang Shiping is interested.
- (3) Shiping Prosperity Private Trust Company, as the trustee, holds such interests in shares on behalf of Mr. Zhang Shiping.

Save as disclosed above, as at 31 December 2016, no other person had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year ended 31 December 2016 and up to the date of this announcement, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other associated corporations, and none of the directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares or debentures of the Company or any other associated corporations or had exercised any such right in the Year.

## **FINAL DIVIDEND AND SPECIAL DIVIDEND**

The Board proposed the payment of a final dividend of HK27.0 cents per share for the year ended 31 December 2016. The proposed final dividend, subject to the approval of the shareholders at the 2016 annual general meeting (including the adjourned annual general meeting), will be paid on 9 February 2018 to the shareholders whose names appear on the register of members of the Company on 6 February 2018.

The Board also proposed the payment of a special dividend of HK20.0 cents per share. The proposed special dividend, subject to the approval of the shareholders at the 2016 annual general meeting (including the adjourned annual general meeting), will be paid on 9 February 2018 to the shareholders whose names appear on the register of members of the Company on 6 February 2018.

#### **CLOSURE OF REGISTER OF MEMBERS**

The share register of the Company will be closed from Monday, 4 December 2017 to Friday, 8 December 2017 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2016 annual general meeting (including the adjourned annual general meeting) of the Company and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Friday, 1 December 2017. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The share register of the Company will be closed from Wednesday, 31 January 2018 to Tuesday, 6 February 2018 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the final dividend and the special dividend, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Tuesday, 30 January 2018. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

#### **AUDIT COMMITTEE**

The Company has established the audit committee (the "Audit Committee") in compliance with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. The Audit Committee meeting was held on 27 October 2017 to review the consolidated financial statements of the Group for the year ended 31 December 2016. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 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 during the year ended 31 December 2016 and up to the date of this announcement.

## CORPORATE BONDS OF SHANDONG HONGQIAO

- (1) On 12 September 2013, the Company's subsidiary, Shandong Hongqiao New Materials Co., Ltd.\* (山東宏橋新型材料有限公司) ("Shandong Hongqiao"), obtained the "Approval for the Issue of 2013 Corporate Bonds by Shandong Hongqiao New Material Co., Ltd. (Fa Gai Cai Jin [2013] No. 1654)" (《關於山東宏橋新新型材料有限公司發行2013年公司債券核准的批復》) from the National Development and Reform Commission of the PRC, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB2,300,000,000 in the PRC.

On 3 March 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (first tranche), the offering size of corporate bonds was RMB1,200,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fifth year), carrying interest of 8.69% per annum.

On 21 August 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB1,100,000,000, for a term of 3+2+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third and fifth year), carrying interest of 7.45% per annum.

- (2) On 11 January 2016, the Company's subsidiary, Shandong Hongqiao, obtained the "No-objection Letter to the Listing and Transfer of Corporate Bonds Issued by Shandong Hongqiao New Material Co., Ltd. by Non-public Issuance (Shang Zheng Han [2016] No. 42)" (《關於對山東宏橋新型材料有限公司非公開發行公司債券掛牌轉讓無異議的函》) from the Shanghai Stock Exchange, approving Shandong Hongqiao to issue the corporate bonds by non-public issuance of not more than RMB6,000,000,000 in the PRC.

On 2 June 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (first tranche), the offering size of corporate bonds was RMB3,000,000,000, for a term of 2+1 years (3-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the second year), carrying interest of 6.05% per annum.

On 15 July 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB3,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 6.48% per annum.

- (3) On 25 November 2015, the Company's subsidiary, Shandong Hongqiao, obtained the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Hongqiao New Material Co., Ltd. (Zheng Jian Xu Ke [2015] No. 2732)" (《關於核准山東宏橋新型材料有限公司向合格投資者公開發行公司債券的批復》) from the China Securities Regulatory Commission, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB6,000,000,000 in the PRC.



On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche), and the offering size of corporate bonds was RMB3,000,000,000, among which, the offering size of corporate bonds with term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year) was RMB2,000,000,000, carrying interest of 4.10% per annum; the offering size of 5-year corporate bonds was RMB1,000,000,000, carrying interest of 4.88% per annum.

On 27 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB1,800,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.50% per annum.

On 24 February 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (third tranche), the offering size of corporate bonds was RMB1,200,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.04% per annum.

## **CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER**

- (1) On 8 October 2015, the Company's subsidiary, Shandong Weiqiao Aluminum & Power Co., Ltd.\* (山東魏橋鋁電有限公司) ("Weiqiao Alumina & Power") received the "Approval for the Issue of Corporate Bonds by Shandong Weiqiao Aluminum & Power Co., Ltd. (Fa Gai Cai Jin [2015] No. 2249)" (《關於山東魏橋鋁電有限公司發行公司債券核准的批復》) from the National Development and Reform Commission of the PRC approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB1,000,000,000 in the PRC.

On 26 October 2015, Weiqiao Alumina & Power completed the issuance of 2015 corporate bonds, with an offering size of RMB1,000,000,000, for a term of 4+3 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fourth year), with an interest of 5.26% per annum.

- (2) On 14 January 2016, the Company's subsidiary, Weiqiao Alumina & Power received the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016] No. 102)" (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批復》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB6,000,000,000 in the PRC.

On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche), with an offering size of RMB4,000,000,000, among which, the offering size of corporate bonds with term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year) was RMB3,500,000,000, carrying interest of 4.27% per annum; the offering size of 5-year corporate bonds was RMB500,000,000, carrying interest of 4.83% per annum.

On 22 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB2,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), with an interest of 4.20% per annum.

- (3) On 17 August 2016, the Company's subsidiary, Weiqiao Alumina & Power received the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016]) No. 1872)" (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批復》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB7,800,000,000 in the PRC.

On 17 October 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (third tranche), with an offering size of RMB7,800,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fifth year), with an interest of 4.00% per annum.

## **SENIOR NOTES**

On 26 June 2014, the Company issued 7.625% senior notes due 2017 in the aggregate principal amount of US\$400,000,000. Such senior notes matured on 26 June 2017. The Company has redeemed the notes due in full at their principal amount together with interest accrued to the Maturity Date. For relevant details, please refer to the announcements of the Company dated 16 June 2014, 20 June 2014, 30 June 2014 and 27 June 2017, respectively.

On 27 October 2014, the Company issued 6.875% senior notes due 2018 in the aggregate principal amount of US\$300,000,000. Please refer to the announcements of the Company dated 27 October 2014 and 6 November 2014, respectively, for details.

## **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 year ended 31 December 2016 and up to the date of this announcement.

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

The Company has applied the principles as set out in the CG Code.

For the year ended 31 December 2016, the Company was in compliance with the mandatory code provisions of the CG Code.



## **SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's independence auditors, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.hongqiaochina.com](http://www.hongqiaochina.com). The annual report will be dispatched to shareholders on or before 6 November 2017 and will be available on the Company's website and the website of the Stock Exchange at the same time.

## **ACKNOWLEDGEMENT**

I would like to take this opportunity to express my sincere gratitude to our Board members and management team, and to all the employees, business partners, customers and shareholders of the Group.

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

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

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