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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 2017

RESULTS HIGHLIGHTS

- Revenue increased by approximately 52.0% to approximately RMB93,312,652,000 as compared with the previous year
- Gross profit increased by approximately 4.8% to approximately RMB14,883,711,000 as compared with the previous year
- Net profit attributable to shareholders of the Company decreased by approximately 25.3% to approximately RMB5,118,566,000 as compared with the previous year
- Basic earnings per share decreased by approximately 27.4% as compared with the previous year and were approximately RMB0.6970 per share
- Proposed final dividend of HK20.0 cents per share

The board ("Board") of directors (the "Directors") of China Hongqiao Group Limited (the "Company" or "China Hongqiao") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2017 (the "Year" or the "Year under Review").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Revenue	*3*	**93,312,652**	61,395,578
Cost of sales		**(78,428,941)**	(47,199,245)
Gross profit		**14,883,711**	14,196,333
Other income and gains	*5*	**3,945,187**	1,019,222
Selling and distribution expenses		**(269,603)**	(164,269)
Administrative expenses		**(2,062,327)**	(2,080,550)
Other expenses	*6*	**(5,676,945)**	(20,063)
Finance costs	*7*	**(4,080,113)**	(3,345,896)
Changes in fair values of derivatives		**(19,897)**	25,987
Share of profit of associates		**371,989**	129,012
Gain on disposal of a subsidiary		**–**	4,561
Profit before taxation		**7,092,002**	9,764,337
Income tax expenses	*8*	**(1,785,170)**	(2,948,667)
Profit for the year		**5,306,832**	6,815,670
Attributable to:			
Owners of the Company		**5,118,566**	6,849,829
Non-controlling interests		**188,266**	(34,159)
		5,306,832	6,815,670
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**(102,409)**	144,464
Share of other comprehensive (expense) income of associates		**(38,910)**	7,231
		(141,319)	151,695
Total comprehensive income for the year, net of income tax		**5,165,513**	6,967,365
Total comprehensive income for the year attributable to			
Owners of the Company		**5,016,157**	6,945,267
Non-controlling interests		**149,356**	22,098
		5,165,513	6,967,365
Earnings per share	*10*		
– Basic (RMB)		**0.6970**	0.96
– Diluted (RMB)		**0.6966**	0.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**83,985,765**	86,658,456
Intangible assets		**13,972**	–
Prepaid lease payments		**3,806,787**	3,066,503
Investment properties		**150,931**	–
Deposits paid for acquisition of property, plant and equipment		**421,144**	1,745,089
Deposits paid for acquisition of land		**14,968**	443,390
Deferred tax assets		**1,784,856**	557,322
Interests in associates		**1,325,328**	944,796
Goodwill		**1,265,763**	311,769
Other financial assets		**–**	14,631
Available-for-sale investment		**6,000**	–
		92,775,514	93,741,956
CURRENT ASSETS			
Prepaid lease payments		**85,902**	56,152
Inventories		**15,585,330**	17,143,324
Trade receivables	*11*	**2,211,734**	363,314
Bills receivables		**11,912,479**	9,721,942
Prepayments, loan and other receivables		**12,359,225**	8,242,544
Other financial assets		**57**	13,047
Restricted bank deposits	*12*	**1,262,589**	396,808
Cash and cash equivalents	*12*	**21,925,568**	12,842,380
		65,342,884	48,779,511

	Notes	2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	13	**16,060,100**	7,506,386
Other payables and accruals		**16,343,471**	12,603,276
Bank borrowings – due within one year		**9,529,148**	14,310,943
Other financial liabilities		**–**	1,691
Income tax payable		**1,163,430**	724,632
Short-term debentures and notes		**3,000,000**	11,000,000
Medium-term debentures and bonds – due within one year		**7,196,185**	731,664
Guaranteed notes		**1,957,399**	2,768,436
Deferred income		**15,321**	6,106
		55,265,054	49,653,134
NET CURRENT ASSETS (LIABILITIES)		**10,077,830**	(873,623)
TOTAL ASSETS LESS CURRENT LIABILITIES		**102,853,344**	92,868,333
NON-CURRENT LIABILTIES			
Bank borrowings – due after one year		**10,509,118**	4,696,770
Liability component of convertible bonds	14	**1,095,225**	–
Derivatives component of convertible bonds	14	**991,660**	–
Deferred tax liabilities		**505,125**	578,097
Medium-term debentures and bonds – due after one year		**36,271,871**	39,720,060
Guaranteed notes		**–**	2,070,436
Deferred income		**263,479**	114,668
		49,636,478	47,180,031
NET ASSETS		**53,216,866**	45,688,302
CAPITAL AND RESERVES			
Share capital	15	**526,966**	474,057
Reserves		**50,706,364**	44,324,255
Equity attributable to owners of the Company		**51,233,330**	44,798,312
Non-controlling interests		**1,983,536**	889,990
TOTAL EQUITY		**53,216,866**	45,688,302

NOTES

For the year ended 31 December 2017

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 immediate 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 (together with the Company, referred to as the "Group") are set out in the annual report.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs and amendments to International Accounting Standards ("IAS(s)"), issued by the International Accounting Standards Board (the "IASB")

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

Except as described below, the application of the amendments to other IFRSs and IASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and / or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to IAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 28	Long-term interest in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

3. REVENUE

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

	2017	2016
	RMB'000	*RMB'000*
Revenue from sales of aluminum products		
– molten aluminum alloy	**76,001,047**	53,848,144
– aluminum alloy ingots	**11,720,058**	5,089,082
– aluminum fabrication	**5,416,862**	2,412,793
Steam supply income	**174,685**	45,559
	93,312,652	61,395,578

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	
	2017	2016
	RMB'000	*RMB'000*
PRC	**84,598,199**	86,606,096
Indonesia	**5,670,065**	5,801,141
	90,268,264	92,407,237

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:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**44,833,430**	27,632,747

5. OTHER INCOME AND GAINS

	2017	2016
	RMB'000	*RMB'000*
Bank interest income	**54,004**	58,642
Other interest income	**16,411**	45,986
Loan receivables interest income	**544,082**	–
Gain from sales of raw materials	**1,296,325**	71,970
Gain from sales of scraps materials	**254,202**	184,062
Gain from sales of slag of carbon anode blocks	**958,709**	500,405
Gain from disposal of property, plant and equipment	**8,096**	–
Reversal of impairment of inventories	**51,235**	42,670
Investment gains from derivatives	**–**	18,070
Amortisation of deferred income	**11,951**	456
Value-added tax ("VAT") income *(note)*	**40,066**	36,087
Foreign exchange gain, net	**529,161**	–
Rental income	**5,011**	–
Others	**175,934**	60,874
	3,945,187	1,019,222

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. OTHER EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Write-down of inventories to net realisable value	**149,836**	12,792
Impairment loss recognised in respect of trade receivables	**7,133**	6,708
Impairment loss recognised in respect of other receivables	**22,519**	563
Impairment loss recognised in respect of goodwill	**668,694**	-
Impairment loss recognised in respect of property, plant and equipment	**4,828,763**	-
	5,676,945	20,063

7. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**1,109,411**	1,018,423
Interest expenses on other borrowings	**–**	9,482
Interest expenses on short-term debentures and notes	**421,355**	594,715
Interest expenses on medium-term debentures and bonds	**2,304,152**	1,522,945
Interest expenses on guaranteed notes	**256,952**	360,667
Interest expenses on convertible bonds	**22,140**	–
	4,114,010	3,506,232
Less: amounts capitalised under construction in progress	**(33,897)**	(160,336)
	4,080,113	3,345,896

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 4.38% (2016: 4.59%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2017	2016
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax	**3,123,194**	2,949,785
	3,123,194	2,949,785
(Over) under provision in prior year		
– PRC Enterprise Income Tax	**(2,298)**	3,700
Deferred taxation	**(1,335,726)**	(4,818)
Total income tax expenses for the year	**1,785,170**	2,948,667

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The subsidiaries incorporated in BVI and Indonesia had no assessable profits since their incorporation.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2016 final dividends – HK27 cents per share	**1,840,322**	–
2016 special dividends – HK20 cents per share	**1,363,201**	–
2015 final dividends – HK15 cents per share	**–**	930,705
	3,203,523	930,705

Subsequent to the end of the reporting period, a final dividend of HK20 cents in respect of the year ended 31 December 2017 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the year, 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 approved by the shareholders in the general meeting. Subsequent to the end of the reporting period, the final dividend of HK$2,175,630,000 (equivalent to approximately RMB1,840,322,000) was paid based on 8,057,888,193 shares on 29 January 2018.

During the year, a special dividend of HK20 cents per share in respect of the year ended 31 December 2016 (2016: nil) has been proposed by the directors of the Company and is approved by the shareholders in the general meeting. Subsequent to the end of the reporting period, the special dividend of HK$1,611,578,000 (equivalent to approximately RMB1,363,201,000) was paid based on 8,057,888,193 shares on 29 January 2018.

During the year ended 31 December 2016, a final dividend of HK$1,082,597,000 (equivalent to approximately RMB930,705,000), at HK15 cents per share in respect of the year ended 31 December 2015 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.

No interim dividend was paid or proposed during the year ended 31 December 2017 (2016: nil).

10. 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:

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**5,118,566**	6,849,829
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**22,140**	–
Changes in fair values of derivatives component of convertible bonds	**18,231**	–
Exchange gain on translation of liability component of convertible bonds	**(24,068)**	–
Earnings for the purpose of diluted earnings per share	**5,134,869**	6,849,829

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share		
Weighted average number of ordinary shares in issue during the year	**7,343,286**	7,142,521
Bonus element of rights issue	**–**	3,022
	7,343,286	7,145,543
Effect of dilutive potential ordinary shares:		
Convertible bonds	**28,571**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,371,857**	7,145,543

Diluted earnings per share for the year ended 31 December 2016 was the same as basic earnings per share as there were no potential ordinary shares outstanding during that year or as at 31 December 2016.

11. TRADE RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**2,225,575**	370,022
Less: allowance for impairment losses	**(13,841)**	(6,708)
	2,211,734	363,314

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.

	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**2,142,452**	355,508
3-12 months	**68,663**	7,806
12-24 months	**618**	–
24-36 months	**1**	–
	2,211,734	363,314

12. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2017	2016
	RMB'000	*RMB'000*
Cash and bank balances	**21,931,132**	12,830,212
Time deposits	**1,257,025**	408,976
	23,188,157	13,239,188
Less:		
Restricted bank balances	**(5,564)**	(2,832)
Pledged time deposits:		
– pledged for bills payable	**(1,000,000)**	–
– pledged for issuance of letter of credit	**(230,025)**	(265,976)
– pledged for guarantee issued	**(27,000)**	(128,000)
Cash and cash equivalents	**21,925,568**	12,842,380

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.

13. TRADE AND BILLS PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables to third parties	**13,787,489**	7,395,478
Trade payables to an associate	**272,611**	110,908
	14,060,100	7,506,386
Bills payables	**2,000,000**	–
	16,060,100	7,506,386

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

	2017	2016
	RMB'000	*RMB'000*
Within 6 months	**13,894,747**	7,462,550
6-12 months	**122,227**	31,927
1-2 years	**37,417**	7,541
More than 2 years	**5,709**	4,368
	14,060,100	7,506,386

14. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds ("CBs") bearing interest of 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US$320,000,000. The CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.16 per share with fixed exchange rate of HK$7.8212 equal to US$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the date that is three years from 28 November 2017, redeem the outstanding CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component is 21.817% per annum.

The movements of the liability and derivatives components of the CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of CBs	Derivatives component of CBs	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–
Issued during the year	1,118,528	994,560	2,113,088
Transaction costs	(11,685)	–	(11,685)
Changes in fair values	–	18,231	18,231
Effective interest expenses	22,140	–	22,140
Interest paid	(9,690)	–	(9,690)
Exchange translation	(24,068)	(21,131)	(45,199)
At 31 December 2017	1,095,225	991,660	2,086,885

No CBs were converted into ordinary shares of the Company during the year ended 31 December 2017. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the year ended 31 December 2017. As at 31 December 2017, the principal amount of the CBs that remained outstanding amounted to US$320,000,000 of which a maximum of 306,713,725 shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017 and 28 November 2017.

15. ISSUED CAPITAL

	Number of shares		Share Capital	
	2017	2016	**2017**	2016
			US$	*US$*
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	2017	2016	**2017**	2016
			US$	*US$*
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,057,888,193**	7,259,766,023	**80,578,882**	72,597,660

	Number of shares		Share Capital	
	2017	2016	**2017**	2016
			US$	*US$*
Issued and fully paid:				
At beginning of the financial year	**7,259,766,023**	6,368,215,810	**474,057**	415,834
Issued of new shares *(note (a))*	**–**	891,550,213	**–**	58,223
Issue of shares upon share subscription *(note (b))*	**806,640,670**	–	**53,454**	–
Shares repurchased and cancelled	**(8,518,500)**	–	**(545)**	–
At the end of the financial year	**8,057,888,193**	7,259,766,023	**526,966**	474,057

Notes:

(a) 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.

(b) On 24 November 2017, 806,640,670 ordinary shares of US$0.01 each were issued and allotted at a price of HK$6.8 per share, raising a total proceeds of approximately RMB4,667,964,000, net of share issue expense of approximately RMB1,440,000.

The Company does not have any share option scheme.

All shares issued rank pari passu in all respects with all shares then in issue.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$*
8 December 2017	1,845,000	8.20	7.90	14,851,295
11 December 2017	1,973,500	8.45	8.17	16,366,810
12 December 2017	700,000	8.45	8.38	5,882,735
15 December 2017	4,000,000	9.10	8.80	35,882,330

The above shares were all cancelled on 22 December 2017.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

16. ACQUISITION OF SUBSIDIARIES

On 21 April 2017, the Group acquired 28.18% of the equity interest in Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang"), a joint stock company incorporated in the PRC with limited liability whose shares are listed on Shenzhen Stock Exchange (stock code: 002379) for a consideration of RMB1,999,618,000. Despite that the Group acquired only 28.18% of the equity interest of Hongchuang, the Group remains the sole substantial shareholder of Hongchuang. This acquisition has been accounted for using the acquisition method. Hongchuang is engaged in aluminum plate and strip manufacture business. Hongchuang was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred	*RMB'000*
Cash	1,999,618

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	191,942
Investment properties	156,472
Intangible assets	14,970
Prepaid lease payments	270,348
Available-for-sale investment	6,000
Cash and cash equivalents	531,908
Trade receivables	262,160
Prepayment and other receivables	12,568
Inventories	91,882
Trade payables	(56,558)
Other payables and accruals	(8,892)
Bank borrowings	(100,000)
Deferred tax liabilities	(35,220)
	1,337,580

Acquisition-related costs amounting to approximately RMB1,259,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The non-controlling interest (71.82%) in Hongchuang recognised at the acquisition date was measured by proportionate share of net assets acquired and amounted to approximately RMB960,650,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	1,999,618
Non-controlling interests	960,650
Less: net assets acquired	(1,337,580)
Goodwill arising on acquisition	1,622,688

Goodwill arose in the acquisition of Hongchuang 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 Hongchuang. 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 on acquisition of Hongchuang:

	RMB'000
Cash consideration paid	1,999,618
Less: cash and cash equivalent balances acquired	(531,908)
Less: deposits paid	(899,515)
Net cash outflow arising on acquisition	568,195

Included in the profit for the year is approximately a profit of approximately RMB19,678,000, attributable to the additional business generated by Hongchuang. Revenue for the year includes approximately RMB1,004,079,000 generated from Hongchuang.

CHAIRMAN'S STATEMENT

On behalf of the Board of China Hongqiao, I am pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2017.

Grasping the Opportunity and Exploring Global Market

During the Year under Review, with more favorable factors, the global economy experienced recovery with significant adjustment and fluctuation. The stability of China's domestic macroeconomic was improved. Gross Domestic Product ("GDP") of China increased by 6.9% over the same period of the previous year, which continued the steady and favorable development trend. The world's major economies maintained growth but are facing lots of risks and uncertainties, and the situation is still complicated. The increasing costs, constraints of resources and environment, intensified industrial restructuring, tightened relevant control policies and other profound impacts led to a rigorous environment both internally and externally for industrial upgrading, coordinated development and sustainability. The Group experienced tremendous challenges under such austere situation.

During the Year, in respect of production and operation, the Group has stayed true to the original aspiration to achieve steady development and continued to accelerate the industrial cluster development through the industrial model of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration", enhance the cost advantages and the economies of scale, and maintain its leading position in the global aluminum industry. For overseas businesses, the Group aligned its strategies with the "One Belt One Road" initiative of the PRC government to speed up the development in the bauxite project in Guinea, Africa, which enhanced the Group's ability to allocate resources and global operations, and created an overseas strategy model that was in line with the Group's development characteristics. Furthermore, the Group continued its strategy of "multi-channels" and expanded bauxite supply in Australia, India, Malaysia and other regions. The Group's alumina project in Indonesia ran well and has been named the "Best Example of International Production Capacity Cooperation of Chinese Enterprises" by China Non-ferrous Metals Industry Association ("CNMIA"). The Group continuously enhanced its capability in managing upstream raw materials, which enable the Group to control the costs of raw material effectively.

Results Performance

During the Year, the Group's revenue amounted to approximately RMB93,312,652,000, representing a year-on-year increase of approximately 52.0%; gross profit amounted to approximately RMB14,883,711,000, representing a year-on-year increase of approximately 4.8%; net profit attributable to shareholders of the Company decreased by approximately 25.3% to approximately RMB5,118,566,000, on one hand, mainly due to the production capacity shutdown resulting from the Group's response to the relevant policies and plans for the supply side reform of the aluminum industry in the PRC, and goodwill impairment arising from acquisition of Hongchuang, a subsidiary and a joint stock company incorporated in the PRC with limited liability whose shares are listed on Shenzhen Stock Exchange (stock code: 002379) within the Year, and provision for impairment of property, plant and equipment and goodwill amounted to approximately RMB4,828,763,000 and RMB668,694,000 respectively were made during the Year; and on the other hand, the unit costs of aluminum products increased, caused by some of higher raw material prices, resulting in narrowing profit margins. Basic earnings per share amounted to approximately RMB0.6970 (the same period in 2016: approximately RMB0.96). The Board recommended the payment of a final dividend of HK20.0 cents per share for 2017 (2016: HK27.0 cents per share).

Reviewing Market Situation and Striving for Growth

During the Year under Review, while the global economy recovered in a tortuous manner, there were still numerous challenges ahead with the mounting geopolitical tensions, which cast a substantial uncertainty on world economic. In face of various institutional adjustments to the deepening of domestic supply side reforms in 2017, the Group adhered to innovations in production technology and actively formulated more prudent and comprehensive corporate governance policies and optimized capital policies and financial structure, and gave full play to the Group's advantages in business model and cost control; at the same time, paid more attention to high-quality development operations to ensure that the Group can continue stable growth.

During the Year under Review, the Group optimized its capital and financial structure. The Group deepened the strategic corporation with the member enterprises of CITIC Group and entered into a "Headquarter to Headquarter" strategic cooperation agreement with China CITIC Bank Corporation Limited ("CITIC Bank") at the end of June 2017 in Beijing. Pursuant to this agreement, CITIC Bank will provide a general credit limit of RMB20 billion to the Group in the next two years, as well as integrating various financial resources of CITIC Group to customise financial products for the Group and providing comprehensive financial services. Furthermore, the Group entered into a share placing agreement and a convertible bonds placing agreement with CTI Capital Management Limited and CNCB (Hong Kong) Investment Limited, respectively. The deepened cooperation with CITIC Group will benefits the long-term development of the Group's operation, indicating the trust and confidence of CITIC Group, one of the China's largest conglomerates.

In 2017, the global and China consumption volume for primary aluminum increased by approximately 5.7% and 8.1% respectively over the previous year. Considering China's current economic momentum, with the progressing urbanisation in China, escalating city construction and rural consumption integration, the use of aluminum in construction, rail transportation and automobiles will continue to be the key driving forces of the future demand. In addition, it has become even more popular in livelihood applications such as all aluminum furniture and electronic devices, which will also inject new vitality to the Group.

Looking Forward with High Vision

Looking forward, the Group will actively support the implementation of the national supply-side reform; further improve the current industrial model of "Integration of Aluminum and Electricity" and "Integration of Upstream and Downstream Businesses" to guarantee the supply of bauxite and alumina, explore the downstream application of aluminum and strategically expand marketing channels and establish an environment friendly entire industrial chain of aluminum products. In terms of production technology, more investment will be put in research and development, realizing energy-saving and improving the training of employee, maintain the Group's core competitive edge. For the capital market, the Group will continue to improve the effective communications with investors, make a long-term dividend scheme and continue to optimize the debt structure and reduce the cost of financing act, to strengthen the internal and external risk pervention.

Acknowledgements

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and all employees for their unrelenting efforts and dedication made in 2017, as well as to all the shareholders, investors and business partners for the support and trust.

Zhang Shiping
Chairman of the Board

23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Year under Review, the commodity market experienced recovery and amongst all, the performance of aluminum was particularly prominent. With favourable macro news of international aluminum price, and strong demand of aluminum products, the aluminum price steadily went upwards. During the Year under Review, the average prices of spot aluminum and three month aluminum futures at London Metal Exchange (LME) were approximately US$1,968 per ton and approximately US$1,979 per ton, respectively, representing an increase of approximately 22.7% and 23.3%, respectively, as compared with the same period last year (source: Beijing Antaike Information Development Co., Ltd.(北京安泰科信息開發有限公司),"Antaike").

During the Year, the price of domestic aluminum futures demonstrated an increasing momentum in general. The price of aluminum was bolstered by a significant alleviation of supply and demand pressure in the domestic aluminum market at the beginning of 2017 and the low inventory level as compared with the corresponding period in past years, and the rising raw material prices during the Year supported aluminum prices. Meanwhile, as the PRC government developed the work program on environment protection and industrial governance as well as special program on regulating aluminum industry construction projects, the market expectation on aluminum market was positive which also served as a drive to the aluminum price. In general, the average prices of spot aluminum and three-month aluminum futures at Shanghai Futures Exchange amounted to approximately RMB14,495 per ton and approximately RMB14,664 per ton (including VAT for both), representing increases of approximately 18.2% and approximately 21.2%, respectively, as compared with the same period last year (source: Antaike).

During the Year under Review, supply and demand growth of aluminum market in the PRC was higher than global level. According to Antaike, in 2017, the global production volume of primary aluminum amounted to approximately 63,870,000 tons, representing an increase of approximately 7.1% as compared with the corresponding period of last year. As for demand, the global consumption of primary aluminum reached approximately 64,460,000 tons in 2017, representing an increase of approximately 5.7% as compared with the corresponding period of last year. Compared with the global market, the aluminum market in China has been booming in both demand and supply aspects with strong growth momentum. In 2017, the domestic production volume of primary aluminum amounted to approximately 36,670,000 tons, representing an increase of approximately 12.3% as compared with the corresponding period of last year; while China's consumption volume of primary aluminum amounted to approximately 35,460,000 tons, representing an increase of approximately 8.1% as compared with the corresponding period of last year (source: Antaike).

BUSINESS REVIEW

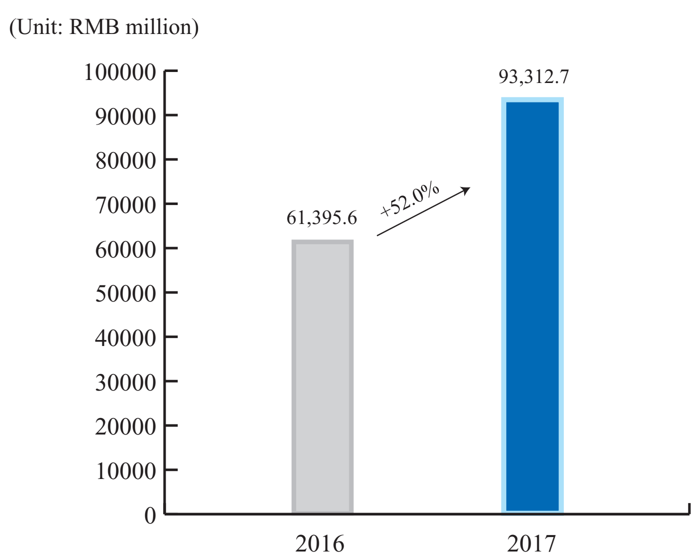
During the Year, the Group adhered to its strategies to strengthen its unique industry cluster model, enhancing the cost advantage and core competitiveness to reinforce the Group's industrial leading position.

As of 31 December 2017, the Group's annual operating production capacity of aluminum products reached approximately 6,460,000 tons.

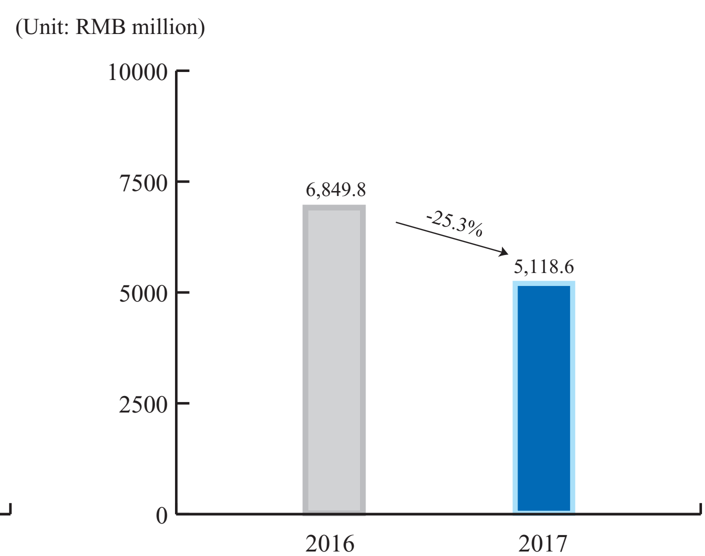
Driven by the increase in demand of downstream market, the Group's aggregate production volume of aluminum products in 2017 amounted to approximately 7,544,000 tons, representing a year-on-year increase of approximately 24.9%; the production volume of aluminum fabrication products reached approximately 412,000 tons, representing a year-on-year increase of approximately 38.0%.

The Group's revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2017, with comparison figures for the year ended 31 December 2016, are as follows:

Revenue



Net profit attributable to shareholders of the Company



For the year ended 31 December 2017, the Group recorded revenue of approximately RMB93,312,652,000, representing a year-on-year increase of approximately 52.0%, which was mainly due to the increase in the Group's production volume and sales volume of aluminum products during the Year and the increase in selling price of aluminum products during the Year. During the Year, sales volume of the Group's aluminum products and aluminum fabrication products reached approximately 7,531,453 tons in total, representing an increase of approximately 32.4% as compared to approximately 5,687,526 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 14.6% from approximately RMB10,787 per ton (excluding VAT) in 2016 to approximately RMB12,367 per ton (excluding VAT) in the Year.

For the year ended 31 December 2017, net profit attributable to shareholders of the Company amounted to approximately RMB5,118,566,000, representing a year-on-year decrease of approximately 25.3%, mainly due to the fact that, on one side, the price increases of raw materials such as coal and carbon anode blocks during the Year jacked up the unit production cost of aluminum products, which resulted in a decrease in the gross profit margin, and on the other side, the Group shut down part of the production capacity in order to respond to the relevant policies and plans for the national supply-side reform of aluminum industry implemented by the government and had goodwill impairment arising from acquisition of Hongchuan, a subsidiary, making provision for impairment of assets of approximately RMB5,497,457,000, which resulted in the decrease in the net profit. The management of the Company will continue to seek various measures proactively, including assets disposal and communication with the relevant governmental authorities on the industrial policies and plans, so as to make its best effort to mitigate the adverse effect brought by such shut down.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2017 and 2016.

Revenue breakdown by product

	For the year ended 31 December			
	2017		2016	
	Revenue	**Percentage of total revenue**	Revenue	Percentage of total revenue
Products	***RMB'000***	***%***	*RMB'000*	*%*
Molten aluminum alloy	**76,001,047**	**81.4**	53,848,144	87.7
Aluminum alloy ingots	**11,720,058**	**12.6**	5,089,082	8.3
Aluminum fabrication	**5,416,862**	**5.8**	2,412,793	3.9
Steam	**174,685**	**0.2**	45,559	0.1
Total	**93,312,652**	**100.0**	61,395,578	100.0

As for revenue from aluminum products, the Group's revenue derived from aluminum products was approximately RMB93,137,967,000, accounting for approximately 99.8% of the total revenue for the year ended 31 December 2017. Among which, the revenue derived from molten aluminum alloy accounted for approximately 81.4% of total revenue, representing a decrease in proportion as compared with the corresponding period of last year, which was mainly due to the fact that the Group actively expanded its domestic aluminum alloy ingots and the aluminum fabrication market during the year while satisfying the demand for molten aluminum within the aluminum industrial cluster where the Group's production base is located, resulting in a decrease in the proportion of molten aluminum. Revenue derived from sale of steam was approximately RMB174,685,000, accounting for approximately 0.2% of the Group's total revenue, with not much change in proportion as compared with last year.

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 2017 and 2016:

	For the year ended 31 December					
	2017			2016		
Products	**Revenue**	**Gross Profit**	**Gross Profit Margin**	Revenue	Gross Profit	Gross Profit Margin
	RMB'000	***RMB'000***	***%***	*RMB'000*	*RMB'000*	*%*
Aluminum products	**93,137,967**	**14,863,781**	**16.0**	61,350,019	14,183,417	23.1
Steam	**174,685**	**19,930**	**11.4**	45,559	12,916	28.4
Total	**93,312,652**	**14,883,711**	**16.0**	61,395,578	14,196,333	23.1

For the year ended 31 December 2017, the overall gross profit margin of the Group was approximately 16.0%, representing a decrease of approximately 7.1 percentage points as compared to approximately 23.1% for the corresponding period of last year, mainly due to the increase in the selling price of aluminum products was far less than the increase in the unit sales cost of the aluminum products during the Year. The Group will continue to strengthen the cost control and upgrade the production technology to enhance its products competitiveness among the industry.

Distribution and selling expenses

For the year ended 31 December 2017, the Group's distribution and selling expenses amounted to approximately RMB269,603,000, increased approximately by 64.1% as compared to approximately RMB164,269,000 for the corresponding period of last year, which was mainly due to the increase in corresponding transportation fees resulted from the increase in sales volume of the aluminum products of the Group.

Administrative expenses

For the year ended 31 December 2017, administrative expenses of the Group amounted to approximately RMB2,062,327,000, basically the same as compared to approximately RMB2,080,550,000 of last year.

Finance costs

For the year ended 31 December 2017, finance costs of the Group were approximately RMB4,080,113,000, representing an increase of approximately 21.9% when compared to approximately RMB3,345,896,000 for the corresponding period of last year. This was mainly due to the fact that although the balance of interest-bearing debt of the Group as at 31 December 2017 decreased by 6.3% as compared to the corresponding period of the last year, the weighted total amount of interest-bearing debt during the Year still increased as compared to the corresponding period of the last year, resulting in a corresponding increase in the interest paid by the Group.

Liquidity and capital resources

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB21,925,568,000, representing an increase of approximately 70.7% compared to approximately RMB12,842,380,000 as at 31 December 2016. The increase in cash and cash equivalents mainly due to the continue increase in income from sale of the Group's products, resulting in a corresponding increase in net cash inflows from operating activities.

For the year ended 31 December 2017, the Group had net cash outflow from investing activities of approximately RMB22,552,764,000, net cash outflow from financing activities of approximately RMB4,090,210,000, and net cash inflow from operating activities of approximately RMB35,740,591,000.

For the year ended 31 December 2017, the capital expenditure of the Group amounted to approximately RMB8,791,514,000, mainly applied in the payment of construction of ancillary captive power facilities.

As at 31 December 2017, the Group had a capital commitment of approximately RMB1,590,724,000, which is capital expenditure for acquisition of properties, plant and equipment in the future primarily used for the transformation and upgrading of environmental protection projects and the construction of the alumina production base in Indonesia.

For the year ended 31 December 2017, the Group's average turnover days of trade receivables were approximately 5 days, representing an increase of approximately 1 day as compared to approximately 4 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 during the Year. At the same time, the Group's sales of aluminum alloy products increased, and the Group grants customers a certain credit period in respect of sales of aluminum alloy products, resulting in the increase of the average turnover days of trade receivables.

For the year ended 31 December 2017, the Group's turnover days of inventory was approximately 76 days, representing a decrease of approximately 38 days as compared to approximately 114 days for the corresponding period of last year, mainly because the Group strengthened its inventory management of each item and maintained its inventory at a reasonable and low level whilst the Group achieved a high increase in the production and sales volume of the Group's aluminum products during the Year.

Contingent liability

As at 31 December 2017, the Group has no significant contingent liability.

Income tax

The Group's income tax for 2017 amounted to approximately RMB1,785,170,000, decreased by approximately 39.5% as compared to approximately RMB2,948,667,000 for the corresponding period of last year, which was mainly attributable to the decrease 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 RMB5,118,566,000 for the year ended 31 December 2017, representing a decrease of approximately 25.3% as compared to approximately RMB6,849,829,000 for the corresponding period of last year.

Basic earnings per share of the Company in 2017 were approximately RMB0.6970 (2016: approximately RMB0.96).

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 2017, cash and cash equivalents of the Group amounted to approximately RMB21,925,568,000 (31 December 2016: approximately RMB12,842,380,000), which were mainly deposited in commercial banks.

As at 31 December 2017, the total liabilities of the Group amounted to approximately RMB104,901,532,000 (31 December 2016: approximately RMB96,833,165,000). Gearing ratio (total liabilities to total assets) was approximately 66.3% (31 December 2016: approximately 67.9%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipments and prepaid lease payments as collateral for bank borrowings to provide funding for its daily business operation and project construction. As at 31 December 2017, the Group had secured bank borrowings of approximately RMB8,916,083,000 (31 December 2016: nil).

As at 31 December 2017, the total bank borrowings of the Group amounted to approximately RMB20,038,266,000. 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 2017, approximately 21.2% of the Group's bank borrowings were subject to fixed interest rates while the remaining of approximately 78.8% were subject to floating interest rates.

As at 31 December 2017, besides bank borrowings, the Group consisted of RMB3,000,000,000 of short-term notes, approximately RMB43,468,056,000 of medium-term notes and bonds, approximately RMB1,957,399,000 of guaranteed notes and RMB2,086,885,000 of convertible bonds with interest rates ranging from 3.84% to 8.69% per annum. The issuances of these notes and bonds helps to optimize 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 2017, approximately 47.6% of the Group's liabilities will due within one year.

As at 31 December 2017, the net current assets of the Group were approximately RMB10,077,830,000. 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 its cash flow position, so as to maintain the adequate liquidity of the Group's capital.

As at 31 December 2017, the Group's debts were denominated in RMB and US Dollars, among which, RMB debts and US Dollar debts accounted for approximately 85.3% and approximately 14.7% of the total debts, respectively. Cash and cash equivalents were mainly held in RMB and US Dollars, among which, approximately 98.8% was held in RMB and approximately 1.0% was held in US Dollars.

Employee and remuneration policy

As at 31 December 2017, the Group had 50,500 employees in total, decreased by 10,037 employees as compared to the corresponding period of last year. The decrease was attributable to the Group's implementation of lowliest place elimination series for optimizing human resources and motivating employees. During the Year, the total staff costs amounted to approximately RMB3,712,588,000, accounting for approximately 4.0% 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 provides 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, 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 2017, the Group's bank balances denominated in foreign currencies were approximately RMB256,640,000, and liabilities denominated in foreign currencies were approximately RMB10,360,550,000. For the year ended 31 December 2017, the Group recognised foreign exchange gain of approximately RMB529,161,000.

The Group utilised financial instruments, 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 2017. As at 31 December 2017, the financial assets derived from the above contracts were approximately RMB57,000.

Shut down part of the aluminum production capacity

In order to respond to the relevant policies and plans for the national supply-side reform of aluminum industry implemented by the government, the Group has shut down aluminum projects with annual production capacity of 2,680,000 tons. As at the date of this announcement, the current total production capacity under the Group's operation of 6,460,000 tons was all filed properly in accordance with relevant regulations. For details, please refer to the announcement of the Company dated 15 August 2017.

EVENTS AFTER THE PERIOD

Placing Existing Shares, Subscription of New Shares

On 15 January 2018 (after trading hours), (i) China Hongqiao Holdings Limited ("Hongqiao Holdings") (中國宏橋控股有限公司), a controlling shareholder of the Company; (ii) the Company; and (iii) UBS AG Hong Kong Branch, CMB International Capital Limited and CLSA Limited ("Placing Agents") entered into the Placing and Subscription Agreement. Pursuant to the Placing and Subscription Agreement (as defined in the announcements below), the Placing Agents conditionally agreed to place, on a best efforts basis, up to 650,000,000 Shares held by Hongqiao Holdings to independent placees at the price of HK$9.6 per Placing Share, and Hongqiao Holdings conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue to Hongqiao Holdings, up to 650,000,000 new Shares at the Subscription Price, being the same as the Placing Price, on the terms and subject to the conditions set out in the Placing and Subscription Agreement. All the conditions as set out in Placing and Subscriptions Agreement have been fulfilled and the Placing and the Subscription were completed on 18 January 2018 and 23 January 2018, respectively. For details, please refer to the announcements of the Company dated 16 January 2018 and 23 January 2018.

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 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") during the Year and up to 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 2017, the Board comprised of four executive Directors, two non-executive Directors, four 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)*
Ms. ZHANG Ruilian *(Vice President, Chief Financial Officer)*

Non-executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. CHEN Yisong (resigned on 2 February 2018, Mr. ZHANG Hao ceased to act as his alternate on 2 February 2018)

Independent Non-executive Directors

Mr. XING Jian
Mr. CHEN Yinghai
Mr. HAN Benwen
Mr. DONG Xinyi

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 2017 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 2017 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 2017.

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

As at 31 December 2017, 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[(1)]	Interest of a controlled corporation	5,968,092,073	74.07
Ms. ZHENG Shuliang[(2)]	Interest of spouse	5,968,092,073	74.07
Mr. ZHANG Bo[(3)]	Beneficial owner	8,870,000	0.11

Notes:

(1) The interests of Mr. Zhang Shiping in the Company were held through his wholly-owned investment company 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 2017, 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 2017, 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(1)	Interest of a controlled corporation	5,968,092,073	74.07
Ms. ZHENG Shuliang(2)	Interest of spouse	5,968,092,073	74.07
Shiping Prosperity Private Trust Company(3)	Trustee	5,968,092,073	74.07
Hongqiao Holdings(3)	Beneficial owner	5,968,092,073	74.07
CTI Capital Management Limited(4)	Beneficial owner	806,640,670	10.00
ITIC Limited(4)	Interest of a controlled corporation	806,640,670	10.00
CITIC Group Corporation(4)	Interest of a controlled corporation	806,640,670	10.00

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.

(4) CITIC Group Corporation held 100% interest in CITIC Polaris Limited, which held 32.53% interest in CITIC Limited, and CITIC Group Corporation also held 100% interest in CITIC Glory Limited, which held 25.60% interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% interest in CITIC Limited. CITIC Limited held 100% interest in CITIC Corporation Limited. CITIC Corporation Limited held 80% interest in CITIC Trust Co., Ltd. and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 20% interest in CITIC Trust Co., Ltd. Thus CITIC Corporation Limited directly and indirectly held 100% interest in CITIC Trust Co., Ltd. CITIC Trust Co., Ltd held 100% interest in CTI Capital Management Limited, and thus CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares of the Company held by CTI Capital Management Limited under the SFO.

Save as disclosed above, as at 31 December 2017, 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 2017 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 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

The Board proposed the payment of a final dividend of HK20.0 cents per share for the year ended 31 December 2017. The proposed final dividend, subject to the approval of the shareholders at the 2017 annual general meeting (the "2017 annual general meeting") held on 16 May 2018, will be paid on or before 29 June 2018 to the shareholders whose names appear on the register of members of the Company on 11 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Thursday, 10 May 2018 to Wednesday, 16 May 2018 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2017 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 Wednesday, 9 May 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.

The share register of the Company will be closed from Tuesday, 5 June 2018 to Monday, 11 June 2018 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the final 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 Monday, 4 June 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 four independent non-executive Directors. The Audit Committee meeting was held on 23 March 2018 to review the consolidated financial statements of the Group for the year ended 31 December 2017. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2017 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 8 December 2017, 11 December 2017, 12 December 2017 and 15 December 2017, pursuant to the share repurchase mandate granted by the Shareholders of the Company at the annual general meeting held on 31 August 2017, the Company repurchased 1,845,000 ordinary shares, 1,973,500 ordinary shares, 700,000 ordinary shares and 4,000,000 ordinary shares of the Company respectively. There were 8,518,500 ordinary shares repurchased in total. On 22 December 2017, the Company cancelled 8,518,500 ordinary shares repurchased in total. For details, please refer to the announcements of the Company dated 8 December 2017, 11 December 2017, 12 December 2017, 15 December 2017 and the next day disclosure return of the Company dated 22 December2017.

Save as disclosed above, neither the Company nor any of its subsidiaries redeemed or sold any of the Company's listed securities during the year ended 31 December 2017 and up to the date of this announcement.

CORPORATE BONDS OF SHANDONG HONGQIAO

(1) On 12 September 2013, the Company's subsidiary, 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) with the short name of "14 Honggiao 02", 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. Pursuant to the terms of the repurchase, Shandong Hongqiao repurchased "14 Hongqiao 02" bond from bond holders on 21 August 2017, for a repurchase amount of RMB743,638,000. On the same day, Shandong Hongqiao resold the repurchased bonds, for a resold amount of RMB700,000,000. The remaining amount at present is RMB1,056,362,000. The coupon rate for "14 Hongqiao 02" bond is still 7.45% and remains unchanged.

(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 Aluminum & 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 Natisnal Development and Reform Commission of the PRC approving Weiqiao Aluminum & Power to issue the corporate bonds of no more than RMB1,000,000,000 in the PRC.

On 26 October 2015, Weiqiao Aluminum & 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 Aluminum & Power to issue the corporate bonds of no more than RMB6,000,000,000 in the PRC.

On 10 March 2016, Weiqiao Aluminum & 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 Aluminum & 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 Aluminum & 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 Aluminum & Power to issue the corporate bonds of no more than RMB7,800,000,000 in the PRC.

On 17 October 2016, Weiqiao Aluminum & 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 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.

Placing of Placing Shares Under Share Specific Mandate

On 24 November 2017, the Company successfully allotted and issued an aggregate of 806,640,670 placing shares to CTI Capital Management Limited (中信信惠國際資本有限公司), the share subscriber, at the placing price of HK $6.80 per placing share under the share specific mandate. For details, please refer to the Company's announcement dated 15 August 2017, circular dated 2 November 2017, poll results announcement dated 20 November 2017 and announcement dated 24 November 2017.

Placing of US$320,000,000 5.0% Convertible Bonds Due 2022 Under CB Specific Mandate

On 28 November 2017, the Convertible Bonds with an initial principal amount of US$320,000,000 have been successfully issued by the Company to CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), with the initial conversion price of HK$8.16 (subject to adjustment), under the CB specific mandate. For details, please refer to the Company's announcement dated 15 August 2017, circular dated 2 November 2017, poll results announcement dated 20 November 2017 and announcement dated 28 November 2017.

On 25 January 2018, CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) converted the Convertible Bonds for 23% of the initial amount held by it into 70,544,156 shares at the initial conversion price of HK $8.16 per share. For details, please refer to the announcement of the Company dated 15 August 2017 and the next day disclosure return dated 25 January 2018.

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 2017 and up to the date of this announcement.

COMPLIANCE WITH PROVISIONS OF THE CG CODE

The Company has applied the principles as set out in the CG Code. For the year ended 31 December 2017, the Company has complied with the mandatory code provisions of the CG Code.

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 and the Company's website at www.hongqiaochina.com. The annual report will be dispatched to shareholders on or before 16 April 2018 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
23 March 2018

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