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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)

ANNOUNCEMENT IN RELATION TO
(1) PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016;
AND
(2) CONTINUAL SUSPENSION OF TRADING

This announcement is made by China Hongqiao Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rule 13.09 of the Rules Governing the Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 21 March 2017 and 31 March 2017 in relation to, among others, (i) delay in publication of the annual results for the year ended 31 December 2016 (“**2016 Annual Results**”) and (ii) possible delay in despatch of annual report for the year ended 31 December 2016 (“**2016 Annual Report**”). Capitalised terms used in this announcement shall have the same meanings as defined in the aforementioned announcements unless the context otherwise requires.

PUBLICATION OF UNAUDITED MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

In order to keep the Shareholders and the public informed of the Group’s business operation and financial position to better assess the most recent financial performance of the Group, the Board would like to provide the Shareholders and the public with the preliminary unaudited financial information of the Group for the year ended 31 December 2016, together with the audited comparative figures for the same period in 2015, as set out below:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)**

Year ended 31 December 2016

	<i>Notes</i>	Year ended 31 December	
		2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
		Unaudited	Audited
REVENUE	<i>1</i>	61,395,578	44,109,934
Cost of sales		(47,260,065)	(35,158,491)
Gross profit		14,135,513	8,951,443
Other income and gains	<i>2</i>	1,056,305	744,676
Share of gains of associates		–	(284)
Selling and distribution expenses		(204,688)	(88,449)
Administrative expenses		(869,770)	(878,696)
Other expenses		42,670	(42,670)
Finance costs	<i>3</i>	(4,120,670)	(3,217,096)
Changes in fair value of compound component		–	(209,932)
Changes in financial liabilities measured at fair value		(1,691)	–
PROFIT BEFORE TAX		10,037,669	5,258,992
Income tax expense		(2,838,061)	(1,638,754)
PROFIT FOR THE YEAR		7,199,608	3,620,238

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 December 2016

	<i>Notes</i>	31 December 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		89,685,718	69,828,275
Prepaid land lease payments		3,083,314	1,738,590
Deposits paid for acquisition of items of property, plant and equipment		1,915,376	1,497,883
Deferred tax assets		472,547	255,576
Investments in associates		473,936	309,744
Goodwill	6	477,031	80,418
Available-for-sale financial assets		150,000	–
TOTAL NON-CURRENT ASSETS		96,257,922	73,710,486
CURRENT ASSETS			
Prepaid land lease payments-current portion		39,342	37,774
Inventories		17,109,266	12,235,436
Trade receivables	4	370,022	1,052,939
Bills receivable		9,731,942	7,503,961
Prepayments and other receivables	5	5,799,461	2,807,789
Restricted bank deposits		511,044	601,417
Cash and cash equivalents		12,847,332	8,488,534
TOTAL CURRENT ASSETS		46,408,409	32,727,850
CURRENT LIABILITIES			
Trade and bills payables		7,921,644	5,754,305
Other payables and accruals	7	11,939,833	10,261,532
Bank borrowings – due within one year	8	10,384,306	11,911,430
Other borrowings – due within one year		–	75,000
Income tax payable		848,051	103,923
Short-term debentures and notes		11,000,000	14,000,000
Guaranteed notes – due within one year	9	2,769,123	–
Financial liabilities measured at fair value		1,691	–
TOTAL CURRENT LIABILITIES		44,864,648	42,106,190
NET CURRENT ASSETS		1,543,761	(9,378,340)
TOTAL ASSETS LESS CURRENT LIABILITIES		97,801,683	64,332,146

	<i>Notes</i>	31 December 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	8	8,623,406	11,465,162
Deferred tax liabilities		531,093	165,825
Medium-term debentures and bonds – due after one year	9	40,457,335	11,905,771
Guaranteed notes	9	2,071,226	4,505,961
Other non-current liabilities		120,774	52,490
		<hr/> 51,803,834 <hr/>	<hr/> 28,095,209 <hr/>
TOTAL NON-CURRENT LIABILITIES			
		<hr/> 45,997,849 <hr/>	<hr/> 36,236,937 <hr/>
NET ASSETS			
EQUITY			
Issued capital		474,057	415,834
Reserves		44,626,566	35,092,969
		<hr/> 45,100,623 <hr/>	<hr/> 35,508,803 <hr/>
Equity attributable to owners of the parent			
NON-CONTROLLING INTERESTS		897,226	728,134
TOTAL EQUITY		<hr/> 45,997,849 <hr/>	<hr/> 36,236,937 <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

Year ended 31 December 2016

2016 (Unaudited)

Unit: RMB'000

	Paid in capital	Share premium and capital surplus	Surplus reserves	Undistributed profit	Translation reserve	Minority interests	Total equity of the owner
I. Balance at 1 January 2016	415,834	8,035,233	4,292,876	22,715,847	49,015	728,134	36,236,939
II. Change in amount for the year							
(I) Total comprehensive income	–	–	–	7,230,593	–	(30,985)	7,199,608
(II) Capital injection from the owner	58,223	3,151,474	–	–	–	147,501	3,357,198
(III) Profit appropriation	–	–	–	–	–	–	–
1. Appropriation to surplus reserve fund	–	–	880,736	(880,736)	–	–	–
2. Appropriation to the owner	–	–	–	(930,707)	–	–	(930,707)
(IV) Foreign currency translation adjustments	–	–	–	–	82,235	52,576	134,811
III. Balance at 31 December 2016	474,057	11,186,707	5,173,612	28,134,997	131,250	897,226	45,997,849

2015 (Audited)

Unit: RMB'000

	Paid in capital	Share premium and capital surplus	Surplus reserves	Undistributed profit	Translation reserve	Minority interests	Total equity of the owner
I. Balance at 1 January 2015	403,152	6,947,789	3,801,172	20,926,716	10,795	344,390	32,434,014
II. Change in amount for the year							
(I) Total comprehensive income	–	–	–	3,648,446	–	(28,554)	3,619,892
(II) Capital injection from the owner	12,682	1,087,444	–	–	–	386,818	1,486,944
(III) Profit appropriation	–	–	–	–	–	–	–
1. Appropriation to surplus reserve fund	–	–	491,704	(491,704)	–	–	–
2. Appropriation to the owner	–	–	–	(1,367,611)	–	–	(1,367,611)
(IV) Foreign currency translation adjustments	–	–	–	–	38,220	25,480	63,700
III. Balance at 31 December 2015	415,834	8,035,233	4,292,876	22,715,847	49,015	728,134	36,236,939

CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)*Year ended 31 December 2016*

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,037,668	5,258,992
Adjustments for:		
Interest income	(42,678)	(34,685)
Finance costs	4,120,670	3,217,096
Share of losses of associates	118,268	(284)
Depreciation	6,243,329	4,687,312
(Gain)/loss on disposal of items of property, plant and equipment	16,014	(4,386)
Loss from changes in fair value of held-for-trading financial liabilities	1,691	–
Loss on fair value changes of derivative	–	209,932
Release of prepaid land lease payments	52,863	33,337
Sub-total	20,547,825	13,367,314
Increase in inventories	(4,873,831)	(1,087,281)
Increase in receivables, deposits and prepayments	(4,536,736)	(6,210,633)
Increase in payables, deposits received and accrued charges	7,422,394	3,771,716
Cash generated from operating activities	18,559,652	9,841,116
Income tax paid	(2,176,733)	(2,071,369)
Net cash flows from operating activities	16,382,919	7,769,747
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment and deposits for acquisition of items of property, plant and equipment	(24,102,962)	(17,119,993)
Loans to associates	(19,650)	(292,212)
Proceeds from disposal of items of property, plant and equipment	6,239	7,501
Receipt of government grants	68,710	52,490
Addition to prepaid land lease payments	(347,907)	(307,055)
Acquisition of a subsidiary	(2,116,523)	–
Interest received	42,678	34,685
Purchase of available-for-sale investments	(150,000)	–
Deposits of equity transactions	(900,000)	–
Investment paid to associates	(20,000)	–
Cash received from gains of investment	16,378	–
Placement of restricted bank deposits	(1,684,063)	(1,301,062)
Withdrawal of restricted bank deposits	1,857,504	1,529,434
Net cash flows used in investing activities	(27,349,596)	(17,396,212)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	3,222,140	–
Share issue expenses	(12,657)	–
Dividends paid to the owners of the parent	(930,706)	(1,367,957)
Proceeds from issuance of medium-term debentures and bonds	29,184,370	5,200,000
Repayment of medium-term debentures and bonds	(73,990)	(1,500,000)
Proceeds from issuance of short-term debentures and notes	16,000,000	14,000,000
Repayment of short-term debentures and notes	(11,000,000)	(7,000,000)
Payment of transaction costs on issuance of short-term debentures and notes	(40,576)	(62,000)
Payment of transaction costs on issue of medium-term debentures and notes	(415,562)	(65,800)
New bank borrowings	16,002,425	20,266,225
Repayment of bank borrowings	(33,419,576)	(16,981,746)
Repayment of other borrowings	(75,000)	(160,000)
Interest paid	(3,314,901)	(2,242,680)
Contribution from non-controlling shareholders	147,500	386,816
Net cash flows from financing activities	15,273,467	10,472,858
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,306,790	846,393
Effect of foreign exchange rate changes, net	52,008	(34,194)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,488,534	7,676,335
CASH AND CASH EQUIVALENTS AT END OF YEAR	12,847,332	8,488,534

NOTES TO FINANCIAL STATEMENTS

I. 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 registered address of the Company is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands, and its principal place of business is at Huixian One Road, Zouping Economic Development District, Zouping County, Shandong Province, the PRC. The Company is an investment holding company.

The Company's parent and ultimate holding company is China Hongqiao Holdings Limited, a company incorporated in the British Virgin Islands.

The Company's subsidiaries are principally engaged in the business of manufacture and sale of aluminum products.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

These financial statements are prepared under the International Financial Reporting Standards.

These financial statements have been prepared on a going-concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Accounting period

The Group adopts a calendar year, being the period from 1 January to 31 December of each year, as its financial year.

2. Functional currency

The functional currency for Group and the reporting currency in the preparation of these financial statements are both Renminbi. Unless otherwise stated, all amounts are expressed in thousands of Renminbi.

3. Consolidated financial statements

The scope of consolidated financial statements was determined based on control, which comprise the financial statements of the Company and all of its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity that is controlled by the Company (including enterprises, a divided part of investees and structured entities that are controlled by the Company).

In preparing the consolidated financial statements, the same financial year and accounting policies as those for the Company were adopted for the subsidiaries of the Company. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Where the amount of loss of a subsidiary attributable to the non-controlling shareholders exceeds their share of the opening balance of the owners' equity of the subsidiary, the excess shall be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the date on which the Group gains control, until the Group ceases the control of it. In preparing consolidated financial statements, adjustment shall be made to financial statements of the subsidiaries using the fair values of each identifiable assets, liabilities and contingent liabilities as basis, which were determined on date of acquisition.

For subsidiaries acquired through business combination under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statement since the beginning of the period of combination. In preparing comparative consolidated financial statements, adjustments shall be made to the relevant items in the previous financial statements, as if the reporting entity formed through combination has been in existence since the commencement of control by the ultimate controlling party.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control described above.

A change in the ownership interest of the non-controlling shareholders in a subsidiary, without a loss of control, is accounted for as an equity transaction.

4. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5. Foreign currency transactions and translation of foreign currency statements

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss, except those arising from the principals and interest on foreign currency borrowings specifically for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign exchange rate at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss or other comprehensive income depending on the characteristics of the non-monetary items.

Foreign currency cash flows are translated at the spot exchange rate on the date of the cash flow. The effect of changes in rates of exchange on cash and cash equivalents is presented separately in the statement of cash flows.

6. Inventories

Inventories represent the finished goods held by the Group for sale in the ordinary course of business, work in progress and the materials consumed in the course of production and provision of labour services. They mainly comprise raw materials, work in progress and finished goods.

Inventories are initially measured at cost. Inventory costs include purchase costs, processing costs and other costs. Upon delivery of inventories, the costs of coal and alumina are determined using the weighted average method. Inventories are recorded at cost of purchase when received. The costs of other raw materials are determined using the first-in first-out method.

At each balance sheet date, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of amounts expected to be realised from their sale or use, provision for inventories is recognised in profit or loss. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to profit or loss for the current period.

Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. The provision for inventories is made by category for raw materials and finished goods.

Inventories of the Group are accounted for using the perpetual inventory system.

7. Long-term equity investments

Long-term equity investments represent investments in subsidiaries. Long-term equity investments are initially measured at the initial investment cost upon acquisition.

Long-term equity investments through which the Company is able to exercise control over the investee is accounted for in the individual financial statements of the Company using the cost method. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Under the cost method, long-term equity investments are measured at initial investment cost. When making additional investment or recovering investment, the cost of long-term equity investments shall be adjusted. Cash dividend or profit declared by the investee is recognised as investment income for the current period.

On disposal of a long-term equity investment, the difference between the carrying amount and the consideration actually received is included in profit or loss for the period. For long-term equity investments under the equity method, when the investment is no longer accounted for under the equity method, the other comprehensive income measured originally under the equity method adopt the same accounting basis as the assets or liabilities disposed of by the investee directly. The equity recognised based on the changes in the investee's equity except the net profit or loss, other comprehensive income and profit appropriation shall be transferred to profit or loss of the current period in a full amount.

8. Fixed assets

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Group and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss for the period in which it is incurred.

Fixed assets are initially measured at cost. The costs of acquisition of fixed asset comprise purchase price, the relevant taxes and expenses and any other directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation of fixed asset is calculated on the straight-line basis over its estimated useful life. The useful lives, estimated net residual value rates and annual depreciation rates of various fixed assets are as follows:

Item	Useful life	Estimated net residual value rates	Annual depreciation rates
Buildings and structures	10-30 years	5%	3.17%-9.50%
Machinery and equipment	3-20 years	5%	4.75%-31.67%
Transportation equipment	5-14 years	5%	6.79%-19.00%
Office equipment and others	5-14 years	5%	6.79%-19.00%

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Group. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year end, and adjustments are made when necessary.

9. Constructions in progress

Construction in progress is recognised based on the actual construction expenditures incurred. It consists of all types of expenditures necessarily to be incurred, capitalised borrowing costs on related borrowed funds before the asset is ready for its intended use, and other related expenditures during the period of construction.

Construction in progress is transferred to fixed assets when the asset is ready for intended use.

10. Intangible assets

Intangible assets are recognised only when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured, and are initially measured at cost. The cost of intangible assets is determined based on the purchase price paid and the relevant expenses.

The useful life of an intangible asset is determined based on the term during which it can bring economic benefits to the Group. If the term of an intangible asset during which it can bring economic benefits to the Group cannot be estimated, it is treated as an intangible asset with indefinite useful life.

The useful lives of the intangible assets of the Group are as follows:

Item	Useful life
Land use rights	50 years

The land use rights acquired by the Group are normally accounted for as intangible assets. Self-developed and constructed buildings such as plants, the relevant land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. If the purchase costs of land use rights and buildings located thereon cannot be reliably allocated between the land use rights and buildings, they are all recognised as fixed assets.

Intangible assets with a definite useful life are amortised on a straight-line basis over their useful lives. The Group reviews the useful lives and the amortisation method of intangible assets with finite useful lives, and adjusts if appropriate, at least at each year end.

11. Borrowing costs

Borrowing costs are interest and other costs arising from the Group's borrowings. Borrowing costs include interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs directly attributable to the construction or production of all qualifying assets are capitalised and other borrowing costs are recognised as an expense. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale, such as fixed assets and inventories.

Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- (1) asset expenses have incurred;
- (2) borrowing costs have incurred;
- (3) activities relating to the acquisition, construction or production of the asset that are necessary to bring the asset to get ready for its intended use or sale have commenced.

Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognised as expenses in the period in which they are incurred.

During the capitalisation period, the amount of interest to be capitalised for each accounting period shall be determined as follows:

- (1) for specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income.
- (2) for general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the capital expenditure that accumulated capital expenditures exceed the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than three consecutive months, until the acquisition or construction is resumed. Borrowing costs incurred during the suspension period are recognised as expenses until the acquisition or construction of a fixed asset is resumed.

12. Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group, when the revenue can be measured reliably, and when the following conditions are met.

Revenue from sale of goods

The Group recognised revenue when the significant risks and rewards of ownership have been transferred to the buyer, the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the relevant cost incurred or to be incurred can be reliably measured. The amount of revenue from sale of goods is determined based on the contractual price received or receivable from the purchaser, unless the contractual price received or receivable is not fair.

Interest income

Interest income is determined based on the length of time for which the Group's cash is used by others, using the effective interest method.

Rental income

Rental income under operating lease is recognised in profit or loss for the current period using the straight-line method over the lease term, and contingent rental is included in profit or loss upon incurrence.

13. Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or expense in profit or loss, except for the tax arising from adjustment of goodwill arising from a business combination, or recognised directly in shareholders' equity if it arises from a transaction or event which is recognised directly in shareholders' equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the differences between the carrying amount of an asset or liability on the balance sheet and its tax base; and the differences between the carrying amount of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision for deferred tax.

A deferred tax liability is recognised for all taxable temporary differences, except:

- (1) where taxable temporary differences arise from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, it affects neither accounting profit nor taxable profit or loss.

- (2) taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for deductible temporary differences, carryforward of unused deductible tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of deductible tax losses and tax credits can be utilised, except:

- (1) where the deferred tax asset arises from a transaction that is not a business combination and, at the time of the transaction, it affects neither accounting profit nor taxable profit or loss.
- (2) deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

IV. NOTES TO MAJOR ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Revenue

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

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

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue from sales of goods		
Revenue from sales of molten aluminum alloy	53,848,143	40,291,596
Revenue from sales of aluminum alloy ingots	5,089,082	1,731,393
Steam supply income	45,559	55,934
Revenue from sales of deep-processing products	<u>2,412,794</u>	<u>2,031,011</u>
	<u>61,395,578</u>	<u>44,109,934</u>
2. Other revenue and income		
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest income	42,678	34,685
Gain from sales of slag of carbon anode blocks	335,278	385,233
Gain from sales of raw materials and scraps	349,503	268,085
Others	<u>328,846</u>	<u>56,673</u>
	<u>1,056,305</u>	<u>744,676</u>
3. Finance costs		
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest expenses	3,557,524	2,648,677
Less: amount of interest capitalised	242,623	431,196
Exchange losses	<u>805,769</u>	<u>999,615</u>
	<u>4,120,670</u>	<u>3,217,096</u>

4. Trade receivables

The Group has a policy of allowing 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 aging analysis of trade receivables:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within one year	363,304	1,052,939
1-2 years	6,718	–
Less: provision for bad debts in respect of trade receivables	–	–
	<u>370,022</u>	<u>1,052,939</u>

5. Prepayments and other receivables

The balance consists of prepayments and other receivables at cost of:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Prepayments to suppliers	936,816	502,936
Tax receivable	2,964,974	2,053,619
CIT refundable	79,055	99,894
Others	<u>1,818,616</u>	<u>151,340</u>
	<u>5,799,461</u>	<u>2,807,789</u>

6. Goodwill

	31 December 2016 RMB'000	31 December 2015 RMB'000
At the beginning of the year:		
Cost	80,418	80,418
Accumulated impairment	—	—
Carrying amount	<u>80,418</u>	<u>80,418</u>
Acquisition of a subsidiary	<u>396,613</u>	—
Carrying amount as at the end of the year	<u>477,031</u>	<u>80,418</u>
At the end of period:		
Cost	477,031	80,418
Accumulated impairment	—	—
Carrying amount	<u>477,031</u>	<u>80,418</u>

As at 30 June 2016, the Group had goodwill of RMB396,613,000 arising from acquisition of Binzhou Municipal Beihai Xinhe New Material Co., Ltd.

7. Other payables and accruals

	31 December 2016 RMB'000	31 December 2015 RMB'000
Payables on property, plant and equipment	5,826,605	5,764,662
Retention payables	2,703,525	2,391,387
Accrued payroll and welfare	330,111	260,721
Advances from customers	781,768	594,152
Other taxes payable	446,361	268,456
Interest payable	1,452,585	875,997
Others	<u>398,878</u>	<u>106,157</u>
	<u>11,939,833</u>	<u>10,261,532</u>

8. Interest-bearing bank borrowings

Current

	31 December 2016 RMB'000	31 December 2015 RMB'000
Unsecured bank borrowings	10,384,306	7,560,718
Unsecured syndicated loans	–	4,350,712
	<u>10,384,306</u>	<u>11,911,430</u>

Non-current

	31 December 2016 RMB'000	31 December 2015 RMB'000
Unsecured bank borrowings	3,841,410	6,234,292
Unsecured syndicated loans	4,781,996	5,230,870
	<u>8,623,406</u>	<u>11,465,162</u>

9. Bonds payable and guaranteed notes

	31 December 2016 RMB'000	31 December 2015 RMB'000
Medium-term debentures and bonds – due after one year	40,457,335	11,905,771
Guaranteed notes – due after one year	2,071,226	4,505,961
	<u>2,769,123</u>	<u>–</u>

V. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Name and relationship with related parties

Name	Relationship
濱州魏橋鋁業科技有限公司 (“Aluminum Technology”)	Controlled by Chuangye Group
山東魏橋創業集團有限公司 (“Chuangye Group”)	<i>Note 1</i>
濱州魏橋科技工業園有限公司	Controlled by Chuangye Group
Africa Bauxite Mining Company Ltd. (“ABM”)	An associate of a wholly-owned subsidiary of the Company

Note 1: Mr. Zhang Shiping, the ultimate holding company of the Company, has a significant influence on Chuangye Group.

2. Major transactions between the Group and its related parties

(1) Sale of goods to related parties

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Aluminum Technology	–	14,847
濱州魏橋科技工業園有限公司	<u>26,709</u>	<u>13,592</u>
	<u>26,709</u>	<u>28,439</u>

The transactions between the Group and the aforesaid related parties were carried out at market prices.

(2) Purchase of goods from related parties

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Aluminum Technology	–	244,292
Zhanhua Jinsha Water Supply Co., Ltd.	24,643	5,676
ABM	<u>1,090,965</u>	<u>179,646</u>
	<u>1,115,608</u>	<u>429,614</u>

The transactions between the Group and the aforesaid related parties were carried out at market prices.

(3) Bank borrowings guaranteed by related parties

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Chuangye Group	<u>450,000</u>	<u>450,000</u>

Shareholders and potential investors are reminded that the information contained in this announcement is only based on the preliminary assessment by the Board on the unaudited management accounts of the Group for the period ended 31 December 2016, and is not based on any data or information that has been audited or reviewed by the auditors and the audit committee. The relevant financial information is pending for further review by the auditors, the audit committee and (if applicable) independent professional valuers, and will be subject to changes resulting from, among others, further review by the Company and any adjustments that might be proposed by the auditors.

CONTINUAL SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended since 9:00 a.m. on Wednesday, 22 March 2017 and will remain suspended until further notice.

By Order of the Board
China Hongqiao Group Limited
Zhang Shiping
Chairman

Shandong, the PRC
2 May 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.