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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)**

- (1) CLARIFICATION RELATING TO THE 2017 NEGATIVE REPORT  
AND THE AUDITOR’S LETTERS;**  
**(2) DELAY IN PUBLICATION OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2016;**  
**(3) POSSIBLE DELAY IN DESPATCH OF ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016;**  
**AND**  
**(4) CONTINUAL SUSPENSION OF TRADING**

Reference is made to the announcement of China Hongqiao Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 March 2017 in relation the possible delay in publication of the preliminary annual results for the year ended 31 December 2016 (the “**2016 Annual Results**”) and possible delay in despatch of the annual report for the year ended 31 December 2016 (the “**2016 Annual Report**”).

**THE 2017 NEGATIVE REPORT**

On 28 February 2017, the Company noted that a negative report against the Company (the “**2017 Negative Report**”) was published by Emerson Analytics Co. Ltd. (“**Emerson**”) which contains untrue and groundless allegations against the Group. As a result of the publication of the 2017 Negative Report, the Company’s share price dropped from HK\$7.80 per share on 28 February 2017 to HK\$7.15 per share on 1 March 2017, as a result of which, shares of the Company were halted for trading on 1 March 2017. As set out in the Company’s announcement dated 6 March 2017, the directors of the Company (the “**Directors**”) took the view that the allegations and information contained in the 2017 Negative Report are biased, materially misleading, untrue and unfounded. The Directors and the senior management of the Company have confirmed that they had not been contacted or interviewed by Emerson before the issuance of the 2017 Negative Report to verify any figures or information stated in the 2017 Negative Report.

Nonetheless, such allegations have seriously damaged the Company's corporate image, credit and reputation, and have caused significant fluctuation in the share price of the Company. Having consolidated the information currently available to the Company obtained through the relevant channels, the board of Directors of the Company (the "**Board**") reasonably suspects that Emerson may have published the 2017 Negative Report in order to materially and adversely affect the reputation and operation of the Group (including the annual audit of the Group for the year ended 31 December 2016). Consequential to the publication of the 2017 Negative Report, the auditor of the Company (the "**Auditor**") has requested the Company to include the allegations raised in the 2017 Negative Report into the scope of the recommended Independent Investigation (as defined below), which has led to the Company being unable to publish its 2016 Annual Results by 31 March 2017 and possibly delaying the despatch of its 2016 Annual Report by 30 April 2017.

In order to protect the interest of shareholders (the "**Shareholders**") and potential investors of the Company, the Board engaged a special legal counsel and obtained legal advice that the 2017 Negative Report consists of defamatory materials and statements which, *inter alia*, allege or purport to seriously injure the Company's reputation. In addition, the Company's special legal counsel also advised that the deliberate publication by Emerson of false information leading to the fluctuation in the Company's share price may have constituted disclosure of false or misleading information inducing transactions in breach of Sections 277 and 298 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

In view of the above, the Company has resolved to seek legal remedy against Emerson for defamation, and has instructed its special legal counsel to send a formal letter of demand to Emerson on 30 March 2017 to:

1. cause to publish and issue a letter or information with satisfactory explanations to formally withdraw the 2017 Negative Report and all other and untrue statements made therein, and post the same at Emerson's official website ([www.emersonanalytics.co](http://www.emersonanalytics.co)) for a period of not less than three (3) months;
2. send a copy of the letter or information referred to paragraph 1. above to The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong;
3. send a letter of apology to the Company, the contents of which must be satisfactory to the Company, and publish the same at Emerson's official website; and
4. indemnify the Company of all its legal costs in this matter,

failing which the Company shall have no alternative but to initiate legal proceedings against Emerson without further notice. The specific legal proceedings may not necessarily be limited to Hong Kong jurisdiction, and the Company may, where necessary, commence legal actions (including but not limited to lodging complaints with the regulatory authorities, initiating commercial litigation and criminal investigation) in other relevant jurisdictions, including but not limited to the People's Republic of China and the United States.

In particular, the Company intends to lodge a complaint with the relevant Hong Kong regulatory authorities with respect to Emerson's potentially criminal activities, and intends to fully assist the relevant regulatory authorities to ensure a fair and orderly market in the trading of the Company's shares.

At the recommendation of the special legal counsel, the Company also engaged an investigative agency to uncover Emerson's background and the person(s) behind the publication of such defamatory report. Based on the findings of the aforesaid investigation, the Company understands that Emerson is a company registered in the state of Colorado, U.S.A., with a person of the name of Zhang Xiaofeng as its registered agent and having a registered address situated at 36 South 18<sup>th</sup> Avenue, Suite A, Brighton, CO 80601, United States of America. The Company was further given to understand that the names of the director(s) and shareholder(s) of companies registered in the state of Colorado need not be publicly disclosed under Colorado laws. Nonetheless, the Company will continue in its effort to uncover the name(s) of the Emerson's director(s) and person(s) behind the release of the 2017 Negative Report as well as an earlier negative report against the Company published by a website (<http://hongqiaoexposed.com>) with unknown origins in November 2016 (the "**2016 Negative Report**", and together with the 2017 Negative Report, the "**Negative Reports**").

The Company is in the process of preparing along with the progress of the annual audit and a detailed clarification announcement to rebut and/or clarify each of the key negative allegations in the 2017 Negative Report and to reject the attempt to undermine the confidence of the Shareholders in the Company's business and financial condition. Such detailed clarification announcement will be made by the Company as soon as practicable.

## **THE AUDITOR'S LETTERS**

Prior to the publication of the 2017 Negative Report, the 2016 Negative Report published in November 2016 also contained speculations and groundless allegations against the Group. The Company had carefully reviewed the 2016 Negative Report and found the allegations set forth in the 2016 Negative Report to be untrue and unfounded, and subsequently made detailed and specific rebuttals against such allegations. For further details, please refer to the announcements of the Company dated 23 November 2016 and 20 December 2016.

Nonetheless, the Auditor informed the Company about December 2016 that additional audit procedures for the year ended 31 December 2016 have to be carried out due to certain allegations in the 2016 Negative Report, so as to satisfy the audit requirement. After going through the relevant additional audit procedures, the Auditor made a brief presentation to the Company's management on 24 February 2017 in relation to its findings (the "**Audit Findings**").

On 28 February 2017, the audit committee of the Company (the “**Audit Committee**”) received the first letter from the Auditor (the “**First Auditor’s Letter**”), which set out the Audit Findings and its recommendation for an independent investigation be conducted with respect to (1) the Audit Findings; and (2) the allegations made against the Company in the 2016 Negative Report (the “**Independent Investigation**”). Subsequently, the Audit Committee received a second letter from the Auditor on 6 March 2017 (the “**Second Auditor’s Letter**” and together with the First Auditor’s Letter, the “**Auditor’s Letters**”), in which the Auditor requested the Company to include the allegations raised in the 2017 Negative Report in the scope of the recommended Independent Investigation, and notified the Company that it has suspended its audit work for the year ended 31 December 2016 pending the receipt of the Independent Investigation report and the overall assessment by the Auditor based on the Independent Investigation report on how to continue with the audit work.

Upon the Company’s receipt of the First Auditor’s Letter, the Audit Committee recommended to the Board that an internal investigation be carried out as soon as possible so as to determine the actions required in relation to the Audit Findings raised. Based on the results of initial internal investigation presented to the Audit Committee on 15 March 2017, the Audit Committee is of the view that the Audit Findings identified by the Auditor did not provide sufficient basis for the Company to conduct the Independent Investigation.

To further confirm the results of the Company’s initial internal investigation and in view of discussion with, among others, the Auditor and the Company’s management in relation to the Independent Investigation, the Board, at the recommendation of the Audit Committee, have agreed to engage an independent third party professional accounting firm (the “**Third Party Accounting Firm**”), to perform certain agreed-upon procedures (the “**Agreed-upon Procedures**”) in relation to the Audit Findings and the allegations set out in the Negative Reports.

The Board is of the view that the engagement of the Third Party Accounting Firm to perform the Agreed-upon Procedures are sufficient to address the Audit Findings and the allegations made in the Negative Reports, given that:

- (i) the Audit Findings and the allegations made in the Negative Reports are very clear and can be verified or refuted by objective evidential information;
- (ii) the Audit Committee has assessed the independence and the capabilities of the Third Party Accounting Firm to ensure that the Third Party Accounting Firm has the necessary proven record of relevant experience, and the team performing the Agreed-upon Procedures has the adequate knowledge and capability to perform the required fieldwork and procedures to address the Audit Findings and the allegations made in the Negative Reports, and to confirm that no procedure under the Agreed-upon Procedures would be outside of its expertise and which the Third Party Accounting Firm would not be able to present its views on; and

(iii) as compared to an Independent Investigation, the Agreed-upon Procedures will be able to resolve the Audit Findings and the allegations made in the Negative Reports in a more efficient manner, which will bring the Company a greater chance to be able to publish its 2016 Annual Results and despatch the 2016 Annual Report as soon as practicable.

As at the date of this announcement, the Agreed-upon Procedures are proactively under preparation. Immediately upon the draft results of the Agreed-upon Procedures are being made available to the Company, the Company will further discuss with its Auditor as to whether the Auditor will be able to finalise the audit work for the 2016 Annual Results in due course.

The results of the Third Party Accounting Firm findings based on the Agreed-upon Procedures are also expected to provide further assurance and evidential information to support the Company's view that the allegations made in the Negative Reports are untrue and unfounded, and to allow Shareholders and potential investors of the Company to obtain an independent, objective and accurate view in the relevant matters.

#### **DELAY IN PUBLICATION OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016 AND POSSIBLE DELAY IN DESPATCH OF 2016 ANNUAL REPORT**

As a result of the foregoing, the Board wishes to inform the Shareholders and potential investors of the Company that the Company is unable to publish its 2016 Annual Results by 31 March 2017 and there may also be a possible delay in the despatch its 2016 Annual Report by 30 April 2017.

The Company will publish further announcement(s) in due course to inform, the Shareholders of (i) the date of the meeting of the Board to consider and approve the 2016 Annual Results, (ii) the date of the release of the 2016 Annual Results and (iii) the date of despatch of the 2016 Annual Report.

#### **NON-PUBLICATION OF 2016 UNAUDITED MANAGEMENT ACCOUNTS**

Rule 13.49(3) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited provides that where an issuer is unable to make an announcement of its preliminary results, it must announce results for the relevant financial year based on financial results which have yet to be agreed with the auditor, so far as the information is available. However, as the Agreed-upon Procedures are underway and further discussion between the Company and the Auditor will be required with respect to the relevant issues, the Board is of the view that the publication of the unaudited consolidated management accounts of the Group for the year ended 31 December 2016 (the “**2016 Unaudited Management Accounts**”) could be confusing and misleading to the Shareholders and potential investors of the Company. The Board considers that it is important for the Company to be prudent in the current circumstances and to avoid publishing any information which may potentially confuse Shareholders and potential investors of the Company. As such, after due and careful consideration, the Board has decided that it would not be appropriate for the Company to publish the 2016 Unaudited Management Accounts at the current stage.

## 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.

## CONCLUSION

The Directors believe the Group is committed to its business development by solidifying the industrial models of “Integration of Aluminium and Electricity” and “Integration of Upstream and Downstream Business”, expediting the development of the industry clusters, developing resources and enhancing its cost advantages and economies of scale so as to consolidate its leading position in Chinese aluminium industry. The Group has advanced production facilities, such as the world’s first whole series 600kA primary aluminium production line with the highest operation efficiency, and a promising industry layout. Since January 2016, the Group has been the largest aluminium product producer in the world.

**The Company wishes to emphasise that the operational and financial status of the Company continue to remain normal and healthy. Further, the Board is aware that there may be certain recent media coverage over certain compan(ies) in the area where the Company is based and which contains speculations or fictions adverse to Company. The Company wishes to hereby confirm that the aforesaid compan(ies) are not related to the Company in any manner, and the Company will not be subject to any adverse impact or risks due to the aforesaid. As at the date of this announcement, the price of the Company’s aluminium products remain at an above-medium level and the Group’s business has maintained healthy and steady growth. From the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited in 2011 to 2015, the Company’s annual profit has been at least RMB3.62 billion and the Company has declared annual dividend in the amount of up to HK\$0.32 per share to its Shareholders each year. The Company has always and will continue to strive to build on its core competitiveness in order to maximize return for its Shareholders as a whole.**

**Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

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

Shandong, the People’s Republic of China  
31 March 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.*