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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)**

**FULFILMENT OF ALL RESUMPTION CONDITIONS**  
**AND**  
**RESUMPTION OF TRADING**

**FULFILMENT OF ALL RESUMPTION CONDITIONS**

References are made to (1) the Company's announcement dated 14 June 2017 in relation to the Resumption Conditions imposed by the Stock Exchange on the Company, and (2) the announcement of the Company dated 25 October 2017 in relation to the clarifications made by the Company and the findings of BT Risk Assurance in relation to the Audit Findings and the allegations made by the Negative Reports. As at the date of this announcement, the Company has fulfilled all the Resumption Conditions to the satisfaction of the Stock Exchange.

**RESUMPTION OF TRADING**

Trading in the Shares has been suspended on the Stock Exchange from 9:00 a.m. on 22 March 2017. Since all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 30 October 2017.

**I. BACKGROUND**

At the request of China Hongqiao Group Limited (the "**Company**"), together with its subsidiaries, the "**Group**"), trading in the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was suspended from 9:00 a.m. on 22 March 2017.

References are made to (1) the announcement of the Company dated 14 June 2017 (the “**Resumption Conditions Announcement**”) in relation to the conditions imposed by the Stock Exchange on the Company in respect of the resumption of trading in the Shares on the Stock Exchange (the “**Resumption Conditions**”), and (2) the announcement of the Company dated 25 October 2017 in relation to the clarifications made by the Company and the findings of Baker Tilly Hong Kong Risk Assurance Limited (“**BT Risk Assurance**”) in relation to the Audit Findings and the allegations made by the Negative Reports (the “**Clarification Announcement**”). Unless the context otherwise requires, capitalized terms used in this announcement shall have the same meanings as those used in the Resumption Conditions Announcement and the Clarification Announcement, as applicable.

As stated in the Resumption Conditions Announcement, the Resumption Conditions include:

- a) to address the Audit Findings and clarify the allegations set out in the 2016 Negative Report and the 2017 Negative Report (the “**First Resumption Condition**”);
- b) to publish all outstanding financial results and address any audit qualifications (the “**Second Resumption Condition**”); and
- c) to inform the market of all material information (the “**Third Resumption Condition**”).

## II. FULLFILLMENT OF ALL THE RESUMPTION CONDITIONS

The Company is pleased to announce that as at the date of this announcement, the Company has fulfilled all the Resumption Conditions to the satisfaction of the Stock Exchange.

### 1. **The First Resumption Condition – Addressed the Audit Findings and clarified allegations in the 2016 Negative Report and the 2017 Negative Report**

#### *(i) Addressed the Audit Findings*

The Audit Findings mainly relate to, among others, certain omissions by the Group to enter certain accounting entries for part of its transactions and the presence of certain limited irregularities in the weighing system and related accounting records and procedures of the Group, further details of which were set out in the Clarification Announcement.

BT Risk Assurance has carried out the Agreed-upon Procedures with respect to the Audit Findings. Based on the AUP Findings, BT Risk Assurance did not find any material irregularities that could not be rectified, and did not find the Group to be engaged in any irregular activities, intentional violations or fraudulent activities. As further set out in the Clarification Announcement, BT Risk Assurance is of the view that the Agreed-upon Procedures are sufficient to address the Audit Findings, and no additional Agreed-upon Procedures is required.

The Group has adopted all the recommendations of BT Risk Assurance, has made the relevant adjustments to the Group's accounting records and rectified all the relevant issues highlighted by BT Risk Assurance, and has taken measures to prevent the re-occurrence of such issues in the future.

The Company's auditor, SHINEWING (HK) CPA Limited ("**ShineWing (HK)**"), has taken into consideration the impact of the Audit Findings on its scope of audit and has, in response, adopted the appropriate audit procedures. ShineWing (HK) is of the opinion that the audited full year financial results of the Company for the year ended 31 December 2016 ("**2016 Full Year Results**") give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2016. In addition, as at the date of this announcement, the Company is not aware that the Company's previous auditors have withdrawn or intend to withdraw their audit opinions on the Company's financial statements for the financial years prior to 2016 in light of the allegations set out in the Negative Reports and the Audit Findings.

*(ii) Clarified the allegations in the 2016 Negative Report and the 2017 Negative Report*

As further set out in the Clarification Announcement, the 2016 Negative Report and the 2017 Negative Report alleged, among others, that the Group had under-reported its production costs and, as a result, over-inflated its profits, as well as concealed related-parties transactions.

In the Clarification Announcement, the Company has clarified and refuted the allegations set out in the 2016 Negative Report and the 2017 Negative Report. BT Risk Assurance has also performed the Agreed-upon Procedures in relation to the allegations set out in the 2016 Negative Report and the 2017 Negative Report, and the Directors are of the view that the AUP Findings have provided sufficient support for the Company's aforesaid clarification and refutation of the aforesaid allegations.

(iii) *View of the Directors and the Audit Committee*

Given the AUP Findings, the Directors and the Audit Committee are of the view that the Audit Findings have been sufficiently addressed. In addition, as further set out in the Clarification Announcement, the Directors and the Audit Committee are also of the view that the relevant Agreed-upon Procedures conducted by BT Risk Assurance are sufficient and adequate to address the allegations in the 2017 Negative Report and the 2016 Negative Report.

Therefore, the Company has fulfilled the First Resumption Condition.

In addition to the above, the Company has also engaged ZHONGHUI ANDA Risk Services Limited (“ZHONGHUI ANDA”) as the internal control advisor of the Company to review the financial reporting procedures and internal control systems of the Company (together with the follow-up review by ZHONGHUI ANDA, the “**Internal Control Review**”). The Company had taken relevant measures based on ZHONGHUI ANDA’s recommendations and remedied all internal control deficiencies.

Set out below is a summary of the major deficiencies identified in the course of the Internal Control Review and the respective remedial measures adopted by the Company.

<b>Major deficiencies</b>	<b>Remedial measures adopted by the Company</b>
1. The Company did not comply with the requirements of the Listing Rules in a timely manner relating to the publishing of the annual results announcement and interim results announcement and despatch of its annual and interim reports.	<p>The Company has published its 2016 Full Year Results and the unaudited interim financial results of the Company for the 6-month period ended 30 June 2017 (“<b>2017 Interim Results</b>”).</p> <p>The 2016 annual report of the Company is expected to be despatched to the Shareholders on 6 November 2017, and the 2017 interim report of the Company is expected to be despatched to the Shareholders on or before 6 November 2017.</p>
2. The Group failed to detect fund transfers in relation to a bank account of a Company’s subsidiary as the Group’s capital management policy did not require the approval from the Group’s general manager for any opening of bank accounts by the Company’s subsidiaries.	<p>The Group has created a bank account opening and registration approval form and has adopted the recommended approval procedure, including the establishment of separate journals in the Group’s accounting information management system for each newly opened bank account.</p>

## Major deficiencies

In addition, the Group did not set up a separate journal for such bank account in the Group's accounting information management system.

3. The Group had conducted risk analysis on only foreign exchange risks during the full financial year without a comprehensive risk assessment report addressing other risks faced by the Group.
4. The transactions between the Company's subsidiaries were not supported by written sales or purchase contracts.
5. There were no shipping notices for the Group's sales of molten aluminum.
6. Some of the payer details on the Group's accounting management system were not consistent with the payer's information in the corresponding bank reconciliation.

## Remedial measures adopted by the Company

The Group has agreed to prepare a comprehensive risk assessment report every year to cover risks including business strategic risks, operational risks, financial risks and legal risks.

Sales or purchase contracts will be entered into with respect to transactions between the subsidiaries of the Company which shall be duly reviewed by the general manager for sales and purchase and submitted to the general manager of the Group for approval and signing.

The relevant subsidiaries of the Company will issue shipping notices, prior to actual delivery, to be submitted to the general manager of sales and purchasing for approval and signing.

As disclosed in the Clarification Announcement, such deficiency is due to the omission by the Group to enter certain accounting entries with respect to part of the transactions. The Group has adopted its auditors' requirement to reflect the actual transactions in its accounting records.

ZHONGHUI ANDA also conducted a follow-up review on the remedial measures adopted by the Company, enquired with the management of the Company as well as examined all relevant documents and records. Based on the aforesaid, ZHONGHUI ANDA has come to a conclusion that, as at 29 September 2017, being the date of the internal control report issued by ZHONGHUI ANDA, there were no major internal control deficiencies that have come to its attention. Having considered the results of the Internal Control Review and the remedial measures adopted by the Company, the Directors and the Audit Committee are of the view that the Company's current financial reporting procedures and internal control systems are adequate and sufficient to meet the obligations under the Listing Rules.

## **2. The Second Resumption Condition – Published of all outstanding financial results**

The 2016 Full Year Results and the 2017 Interim Results were published by the Company on 27 October 2017.

Therefore, the Company has fulfilled the Second Resumption Condition.

## **3. The Third Resumption Condition – Inform the market of all material information**

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

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

In the meantime, the management of the Company will proactively seek various measures, including 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 the Notice. As at the date of this announcement, the Company notes that certain local governments have issued the relevant policy decisions regarding “differential treatment” of industrial enterprises, giving production priority to environmentally-friendly enterprises while placing limitations on high-polluting units, which constitute an environmentally-friendly differential regulatory mechanism. This further strengthens the policy guidance to compel enterprises to take the initiative to implement environmentally-friendly reforms, thereby accelerating their transformation towards a green development model. As at the date of this announcement, the production, operation and financial conditions of the Group remained normal. Save as disclosed above, the Company expects the Notice to have no material impact on the business operations and financial position of the Group.

Having made such enquiry with respect to the Company as is reasonable in the circumstances, the Directors confirm that to the best of their knowledge, information and belief, save as disclosed in this announcement, there is no other material information that need to be disclosed pursuant to any of the requirements set out in the Listing Rules, nor is there any other matter that need to be brought to the attention of the shareholders and potential investors of the Company, and the Directors are not aware of any other inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as at the date of this announcement.

### III. RESUMPTION OF TRADING

Trading in the Shares has been suspended on the Stock Exchange from 9:00 a.m. on 22 March 2017. Since all the Resumption Conditions have been fulfilled, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on Monday, 30 October 2017.

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

27 October 2017

Shandong, the People's Republic of China

*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.*

\* *for identification purposes only*