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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 2015

RESULTS HIGHLIGHTS

- Revenue increased by approximately 22.2% to approximately RMB44,109,934,000 as compared with the previous year
- Gross profit decreased by approximately 3.7% to approximately RMB8,951,443,000 as compared with the previous year
- Net profit attributable to owners of the parent decreased by approximately 31.3% to approximately RMB3,648,791,000 as compared with the previous year
- Basic earnings per share decreased by approximately 34.8% as compared with the previous year and were approximately RMB0.58
- Proposed final dividend of HK15.0 cents per share

The board of directors (the “Board”) of China Hongqiao Group Limited (the “Company” or “China Hongqiao”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2015.

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

For the year ended 31 December 2015

| | <i>Notes</i> | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> (Restated) |
|---|--------------|--------------------------------------|--------------------------------------|
| Revenue | 2 | 44,109,934 | 36,085,800 |
| Cost of sales | | <u>(35,158,491)</u> | <u>(26,789,332)</u> |
| Gross profit | | 8,951,443 | 9,296,468 |
| Other income and gains | 3 | 744,676 | 739,020 |
| Selling and distribution expenses | | (88,449) | (94,520) |
| Administrative expenses | | (878,696) | (610,884) |
| Other expenses | | (42,670) | (79,940) |
| Finance costs | 4 | (3,217,096) | (1,905,377) |
| Changes in fair value of derivative | | (209,932) | (17,034) |
| Share of losses of associates | | (284) | – |
| PROFIT BEFORE TAX | 5 | 5,258,992 | 7,327,733 |
| Income tax expense | 6 | <u>(1,638,754)</u> | <u>(2,026,366)</u> |
| PROFIT FOR THE YEAR | | <u>3,620,238</u> | <u>5,301,367</u> |
| Attributable to: | | | |
| Owners of the parent | | 3,648,791 | 5,313,632 |
| Non-controlling interests | | <u>(28,553)</u> | <u>(12,265)</u> |
| | | <u>3,620,238</u> | <u>5,301,367</u> |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | <u>63,700</u> | <u>40,681</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | | <u>3,683,938</u> | <u>5,342,048</u> |
| Attributable to: | | | |
| Owners of the parent | | 3,687,010 | 5,338,041 |
| Non-controlling interests | | <u>(3,072)</u> | <u>4,007</u> |
| | | <u>3,683,938</u> | <u>5,342,048</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic | 7 | <u>0.58</u> | <u>0.89</u> |
| Diluted | 7 | <u>0.58</u> | <u>0.88</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | <i>Notes</i> | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> (Restated) |
|--|--------------|-------------------------------|--------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 69,828,275 | 54,852,855 |
| Prepaid land lease payments | | 1,738,590 | 1,459,378 |
| Deposits paid for acquisition of items of property, plant and equipment | | 1,497,883 | 2,139,174 |
| Deferred tax assets | | 255,576 | 96,490 |
| Investments in associates | | 309,744 | – |
| Goodwill | | 80,418 | 80,418 |
| TOTAL NON-CURRENT ASSETS | | 73,710,486 | 58,628,315 |
| CURRENT ASSETS | | | |
| Prepaid land lease payments-current portion | | 37,774 | 31,255 |
| Inventories | | 12,235,436 | 11,165,403 |
| Trade receivables | <i>9</i> | 1,052,939 | 335,664 |
| Bills receivable | | 7,503,961 | 2,466,183 |
| Prepayments and other receivables | | 2,807,789 | 2,294,793 |
| Restricted bank deposits | <i>10</i> | 601,417 | 829,789 |
| Cash and cash equivalents | <i>10</i> | 8,488,534 | 7,676,335 |
| TOTAL CURRENT ASSETS | | 32,727,850 | 24,799,422 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | <i>11</i> | 5,754,305 | 2,427,058 |
| Other payables and accruals | | 10,261,532 | 7,960,575 |
| Dividends payable | | – | 1 |
| Bank borrowings – due within one year | | 11,911,430 | 7,663,730 |
| Other borrowings – due within one year | | 75,000 | 160,000 |
| Income tax payable | | 103,923 | 366,859 |
| Short-term debentures and notes | | 14,000,000 | 7,000,000 |
| Medium-term debentures and bonds-due within one year | | – | 1,500,000 |
| Convertible bonds-liability component | | – | 797,443 |
| Convertible bonds-derivative component | | – | 84,588 |
| TOTAL CURRENT LIABILITIES | | 42,106,190 | 27,960,254 |
| NET CURRENT LIABILITIES | | 9,378,340 | 3,160,832 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 64,332,146 | 55,467,483 |

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> (Restated) |
|--|-------------------------------|--------------------------------------|
| NON-CURRENT LIABILITIES | | |
| Bank borrowings – due after one year | 11,465,162 | 11,820,722 |
| Other borrowings – due after one year | – | 75,000 |
| Deferred tax liabilities | 165,825 | 148,460 |
| Medium-term debentures and bonds – due after one year | 11,905,771 | 6,742,686 |
| Guaranteed notes | 4,505,961 | 4,246,601 |
| Other non-current liabilities | 52,490 | – |
| | <hr/> | <hr/> |
| TOTAL NON-CURRENT LIABILITIES | 28,095,209 | 23,033,469 |
| | <hr/> | <hr/> |
| NET ASSETS | 36,236,937 | 32,434,014 |
| | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | |
| Issued capital | 415,834 | 403,152 |
| Reserves | 35,092,969 | 31,686,472 |
| | <hr/> | <hr/> |
| Equity attributable to owners of the parent | 35,508,803 | 32,089,624 |
| | <hr/> | <hr/> |
| NON-CONTROLLING INTERESTS | 728,134 | 344,390 |
| | <hr/> | <hr/> |
| TOTAL EQUITY | 36,236,937 | 32,434,014 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the “Group” in light of the Group’s net current liabilities of approximately RMB9,378,340,000 as at 31 December 2015. The directors have reviewed the Group’s cash flow projections which cover a period of not less than twelve months from the date of issuance of the financial statements. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those committed capital expenditures relating to plant construction, that will be due in the coming twelve months from the date of the issuance of financial statements based on the Group’s existing resources and upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

- (i) as at 31 December 2015, the Group had cash and cash equivalents of approximately RMB8,488,534,000, and unutilised short term debentures and notes of approximately RMB6,000,000,000 which can be freely utilised within twelve months from the year end date;
- (ii) the Group is actively negotiating with banks for the renewal of its short-term borrowings as necessary when they fall due in the coming twelve months following the date of the issuance of financial statements. The Group did not encounter any significant difficulties in renewing its short-term borrowings in the past and therefore the directors are of the opinion that all short-term borrowings can be renewed;
- (iii) from 15 January 2016 to 25 February 2016, Shandong Hongqiao New Material Co., Ltd. (“Shandong Hongqiao”), a wholly-owned subsidiary of the Company, completed the issuance of the 2016 domestic corporate bonds (Phase I, II and III) totaling RMB6,000,000,000, details of which are set out in the “Events after the period” section of this announcement;
- (iv) on 18 February 2016, the Company completed the rights issue of 891,550,213 right shares at the subscription price of HK\$4.31 per right share on the basis of 7 right shares for every 50 shares held on the record date. The net proceeds from the rights issue was approximately HK\$3,829,102,000 (equivalent to approximately RMB3,222,139,000), details of which are set out in the “Events after the period” section of this announcement; and,
- (v) on 9 March 2016, Shandong Weiqiao Aluminum and Power Co., Ltd. (“Weiqiao Aluminum & Power”) completed the issuance of the 2016 domestic corporate bonds (Phase I) totalling RMB4,000,000,000, details of which are set out in the “Events after the period” section of this announcement.

After taking into account the Group’s business prospects, internal resources, the net proceeds from the rights issue and the available financing facilities, the directors are of the opinion that, in the absence of unforeseeable circumstances and subject to the successful securing of the sources of funding and implementation of the measures set out above, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of issuance of the financial statements. Accordingly, the consolidated financial statements for the year ended 31 December 2015 have been prepared on a going concern basis.

Certain comparative information have been reclassified to conform the current year’s presentation.

2. REVENUE AND 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 sale 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.

The Group operates principally in the PRC (including Hong Kong), and overseas countries (including the British Virgin Islands (“BVI”) Indonesia and Cayman Islands). The analysis of the geographical locations of the Group’s non-current assets other than deferred tax assets is as follows:

| | Non-current assets | |
|--------------------|---------------------------|-------------------|
| | 2015 | 2014 |
| | <i>RMB’000</i> | <i>RMB’000</i> |
| PRC | 69,163,793 | 57,003,629 |
| Overseas countries | 4,291,117 | 1,528,196 |
| | <u>73,454,910</u> | <u>58,531,825</u> |

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:

| | 2015 | 2014 |
|-----------------------------|--------------------------|-------------------|
| | <i>RMB’000</i> | <i>RMB’000</i> |
| Revenue from sales of goods | | |
| Aluminum products | | |
| – molten aluminum alloy | 40,291,596 | 31,009,199 |
| – aluminum alloy ingots | 1,731,393 | 2,759,627 |
| – aluminum fabrication | 2,031,011 | 2,173,397 |
| – aluminum busbars | – | 8,054 |
| Steam supply income | 55,934 | 135,523 |
| | <u>44,109,934</u> | <u>36,085,800</u> |

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.

Revenue from customers, including sales to a group of entities which are known to be under common control with that customer, individually amounted to over 10% of the total revenues of the Group are as follows:

| | 2015 | 2014 |
|------------|--------------------------|-------------------|
| | <i>RMB’000</i> | <i>RMB’000</i> |
| | | (Restated) |
| Customer A | 15,625,790 | 13,338,035 |
| Customer B | 3,778,377 | 5,361,775 |
| | <u>19,404,167</u> | <u>18,699,810</u> |

3. OTHER INCOME AND GAINS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> (Restated) |
|---|------------------------|--------------------------------------|
| Interest income | 34,685 | 66,481 |
| Gain from sales of raw materials | 29,555 | 51,597 |
| Gain from sales of scraps | 238,530 | 266,170 |
| Gain from sales of slag of carbon anode blocks | 385,233 | 317,525 |
| Gain/(loss) on disposal of items of property, plant and equipment | 4,386 | (7,967) |
| Investment loss from held-for-trading investment | – | (2,431) |
| Gain from changes in fair value of held-for-trading financial liabilities | – | 5,278 |
| Others | 52,287 | 42,367 |
| | <u>744,676</u> | <u>739,020</u> |

4. FINANCE COSTS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> (Restated) |
|--|------------------------|--------------------------------------|
| Interest expenses on bank borrowings | 997,873 | 1,004,459 |
| Interest expenses on convertible bonds | 46,672 | 107,395 |
| Interest expenses on other borrowings | 11,415 | 18,828 |
| Interest expenses on short-term debentures and notes | 578,789 | 333,339 |
| Interest expenses on medium-term debentures and bonds | 676,701 | 510,290 |
| Interest expenses on guaranteed notes | 337,227 | 128,014 |
| Foreign exchange losses, net | 999,615 | 107,530 |
| | <u>3,648,292</u> | <u>2,209,855</u> |
| Less: Amounts capitalised under construction in progress | <u>(431,196)</u> | <u>(304,478)</u> |
| | <u>3,217,096</u> | <u>1,905,377</u> |

Borrowing costs capitalised during the year are calculated by applying a capitalization rate of 5.28% (2014: 7.44%) per annum to expenditure on qualifying assets.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Staff cost: | | |
| Directors' and chief executive's remuneration | 4,641 | 5,177 |
| Other staff costs: | | |
| – Wages and salaries | 2,927,082 | 2,004,704 |
| – Retirement benefit schemes contributions | 89,680 | 85,971 |
| Total staff costs | <u>3,021,403</u> | <u>2,095,852</u> |
| Auditors' remuneration | 3,740 | 4,900 |
| Depreciation of items of property, plant and equipment | 4,687,312 | 3,112,911 |
| Cost of inventories recognised as an expense | 34,973,717 | 26,566,000 |
| Foreign exchange differences, net | 999,615 | 107,530 |
| Write-down of inventories to net realisable value* | 42,670 | – |
| Release of prepaid land lease payments | <u>33,337</u> | <u>25,581</u> |

* The write-down of inventories to net realisable value is included in "Other expenses" in the profit or loss.

6. INCOME TAX

The Company is a limited liability company incorporated in Cayman Islands and conducts its primary business through its subsidiaries in Mainland China. It also has two intermediate holding companies in BVI and Hong Kong, and one trading company in Hong Kong and one subsidiary under construction phase in Indonesia. The subsidiaries incorporated in BVI and Indonesia had no assessable profits since their incorporation. The Hong Kong profits tax rate was 16.5% during the year ended 31 December 2015 (2014: 16.5%).

Effective from 1 January 2008, the PRC's statutory Corporate Income Tax ("CIT") rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% on their respective taxable incomes as calculated in accordance with the CIT Law and its relevant regulations.

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2011 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. An amount of RMB90,698,000 (2014: RMB68,042,000) is recognised in respect of the PRC subsidiaries' undistributed profits generated in the current year.

The current and deferred components of income tax expense appearing in the profit or loss are as follows:

| | 2015 | 2014 |
|-------------------------------|-------------------------|-------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| The charge comprises: | | |
| Current tax | | |
| PRC CIT | 1,771,168 | 1,922,667 |
| Hong Kong profits tax | 9,307 | 15,530 |
| Under provision in prior year | | |
| PRC CIT | – | 19,553 |
| Hong Kong profits tax | – | 2,900 |
| Deferred tax (credit)/charge | | |
| Current year | (141,721) | 65,716 |
| | <u>1,638,754</u> | <u>2,026,366</u> |

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted earnings per share for the year were calculated as follows:

| | 2015 | 2014 |
|---|-------------------------|-------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | | (Restated) |
| Earnings | | |
| Profit attributable to owners of the parent, used in the basic earnings per share calculation: | 3,648,791 | 5,313,632 |
| Interest on convertible bonds | – | 107,395 |
| Changes in fair value of derivative | – | 17,034 |
| | <u>3,648,791</u> | <u>5,438,061</u> |
| Shares ('000 shares) | | |
| Weighted average number of ordinary shares in issue during the year | 6,277,594 | 5,974,189 |
| Bonus element of rights issue | 22,654 | 21,559 |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 6,300,248 | 5,995,748 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| – Convertible bonds | – | 189,987 |
| | <u>6,300,248</u> | <u>6,185,735</u> |

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2015 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

Subsequent to the end of reporting period, on 18 February 2016, the Company completed the rights issue of 891,550,213 right shares and accordingly the earning per share have been restated to reflect the effect of rights issue.

8. DIVIDENDS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|---|------------------------|------------------------|
| 2014 final dividends – HK28 cents per share | 1,367,957 | – |
| 2013 final dividends – HK27 cents per share | – | 1,261,229 |
| | <u>1,367,957</u> | <u>1,261,229</u> |

Subsequent to the end of the reporting period, a final dividend of HK\$1,082,597,000 (equivalent to approximately RMB906,978,000) at HK15 cents per share in respect of the year ended 31 December 2015, based on 7,259,766,023 shares as at 18 February 2016, upon completion of the right issue, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

During the year, the final dividend of HK\$1,725,046,000 (equivalent to approximately RMB1,367,957,000) at HK28 cents per share in respect of the year ended 31 December 2014, based on 6,160,880,000 shares as at 31 December 2014 (2013: HK\$1,588,950,000 (equivalent to approximately RMB1,261,229,000), at HK27 cents per share in respect of the year ended 31 December 2013) was declared to the owners of the parent.

9. TRADE RECEIVABLES

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-------------------|------------------------|------------------------|
| Trade receivables | 1,052,939 | 335,664 |
| | <u>1,052,939</u> | <u>335,664</u> |

The Group has a policy of allowing average credit period of 90 days to its trade customers with trading history, otherwise sales on cash terms are required.

The following is an aging analysis of trade receivables presented based on the date of delivery of goods which was the date on which revenue was recognised.

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-----------------|------------------------|------------------------|
| Within 3 months | 1,043,484 | 335,664 |
| 3 to 12 months | 9,455 | – |
| | <u>1,052,939</u> | <u>335,664</u> |

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-------------------------------|------------------------|------------------------|
| Neither past due nor impaired | 1,043,484 | 335,664 |
| Less than 1 month past due | 9,455 | – |
| | <u>1,052,939</u> | <u>335,664</u> |

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

Impairment for trade receivables is provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment and expected recoverable amounts. No impairment has been recognised during both years.

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. Based on the historical experience of the Group, the directors of the Company believe that no allowance for doubtful debts is required.

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|--|------------------------|------------------------|
| Cash and bank balances | 8,447,534 | 7,676,335 |
| Time deposits | 642,417 | 829,789 |
| | <u>9,089,951</u> | <u>8,506,124</u> |
| Less: | | |
| Pledged time deposits: | | |
| – Pledged for issuance of letter of credit | (423,417) | (628,484) |
| – Pledged for guarantee issued | (178,000) | (201,305) |
| | <u>8,488,534</u> | <u>7,676,335</u> |

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

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

11. TRADE AND BILLS PAYABLES

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-----------------------------------|------------------------|------------------------|
| Trade payables to third parties | 5,486,627 | 2,423,834 |
| Trade payables to a related party | 1,233 | 3,224 |
| Trade payables to associates | 116,445 | – |
| Bills payable | 150,000 | – |
| | <u>5,754,305</u> | <u>2,427,058</u> |

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 2015 <i>RMB'000</i> | 2014 <i>RMB'000</i> |
|-------------------|------------------------|------------------------|
| Within 6 months | 5,566,271 | 2,413,892 |
| 6 to 12 months | 31,936 | 6,160 |
| 1 to 2 years | 3,991 | 5,248 |
| More than 2 years | 2,107 | 1,758 |
| | <u>5,604,305</u> | <u>2,427,058</u> |

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

The trade payables are non-interest-bearing and are normally settled on a term of six months.

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board of China Hongqiao the consolidated annual results of the Group for the year ended 31 December 2015 (the “Year” or the “Period under Review”).

DRIVING TOWARDS A BRIGHT FUTURE

During the Year, the global primary aluminum market continued to face a shortage of supply. The significant price fall in the fourth quarter last year in China has slowed the growth of production volume, relieving the condition of excess supply. During the Year, aluminum prices have weakened considerably despite an initial surge earlier in the year. The average three-month aluminum futures price on the London Metal Exchange (“LME”) decreased by 11.1% as compared with last year; the average three-month aluminum futures price on the Shanghai Futures Exchange (“SHFE”) decreased by 10.3% as compared with last year.

During the Period under Review, China Hongqiao achieved major breakthroughs in various aspects by adhering to its prudent development strategy. As the industry leader, the Group continued to promote the advancement of technological innovations, energy conservation, as well as the industrial models of “Integration of Aluminum, Electricity and Grid” and “Integration of Upstream and Downstream Businesses”, to further consolidate its industrial chain advantage. As for overseas business, the Group’s first ship of bauxite from the mining project in Guinea, Africa, successfully arrived the domestic operation base of China Hongqiao, realizing the Group’s global resource strategy and the country’s “Maritime Silk Road” initiative.

RESULTS AND PERFORMANCE

As of 31 December 2015, the Group’s aggregate designed annual production capacity of aluminum products was approximately 5,186,000 tons (31 December 2014: approximately 4,026,000 tons), representing an increase of approximately 28.8% as compared to the corresponding period of 2014. The Group ranked as the largest aluminum product manufacturer in the world (source of ranking: Antaike).

During the Period under Review, the Group’s revenue amounted to approximately RMB44,109,934,000, representing a year-on-year increase of approximately 22.2%. Gross profit amounted to approximately RMB8,951,443,000, representing a year-on-year decrease of approximately 3.7%. Net profit attributed to owners of the parent amounted to approximately RMB3,648,791,000, representing a year-on-year decrease of approximately 31.3%. Basic earnings per share were approximately RMB0.58 (2014: approximately RMB0.89). The Board recommended the payment of a final dividend of HK15.0 cents per share for the year 2015 (2014: HK28.0 cents).

EMBRACING NEW OPPORTUNITIES

Given the slow recovery of the global economy and downward pressure of China's economic growth, the market is unlikely to turn around within a short period of time. The price of aluminum products is expected to stay in the low range. Such adverse market condition presents both challenges and opportunities to the Group, and the Group sees more opportunities than challenges. More importantly, the fierce market competition will come down to survival of the fittest. Striving to turn challenges into opportunities and pressure into driving force, the Group is determined to capitalize on the opportunities and accelerate its future development in this competitive market.

In the downstream industry, the PRC government's "One Belt One Road" strategy and vision for the Eurasian region have prompted China's rising international export of railway equipment. At the same time, premium vehicles has posted immense opportunities for aluminum products. All these have reinforced the global influence and competency of Chinese aluminum manufacturers. With further development of aluminum alloy and aluminum fabrication products, aluminum products have become increasingly widely used in downstream sectors such as transportation, machinery and electric power engineering, bringing tremendous potential to the market.

CONSOLIDATING THE GROUP'S COMPETITIVE EDGES

In view of the demand growth of aluminum products in China, China Hongqiao has continued to strengthen its industry cluster advantage. To solidify its long-term development, the Group has also achieved in technological innovations, energy conservation and bauxite supply.

With respect to the supply of bauxite, while actively expanding the supply channels in countries including the Commonwealth of Australia, the Republic of India and the Federation of Malaysia, the Group also achieved great success in the bauxite mining project in Guinea. The Group has established China's first industrial chain that comprises overseas mining and domestic factories by utilizing multiple logistics solutions. The completion of the industrial chain will ensure the Group's steady raw material supply and effective cost control. These will strengthen the Group's core competitiveness, significantly reduce the raw material prices, and minimize potential risks against supply and demand fluctuations.

Regarding the supply of alumina, the Group has made substantial progress in the construction of its alumina production base in Indonesia. This alumina production line with designed annual capacity of one million tons will be put into operation in the first half of 2016. By that time, the Group's alumina self efficiency will be further enhanced.

For technological innovation, the Group successfully operated the world's first full series 600KA aluminum production line in the first half of 2015. The production line is characterized by its high unit productivity, low investment cost, reduced emission and outstanding production efficiency, making China Hongqiao a world leader in technical and economic standards.

Independent pricing right is essential to the Group's sustainable development. After consultation with downstream customers of aluminum processing, starting from 1 December 2015, China Hongqiao has launched its own pricing mechanism. The new pricing is made on the basis of mutual recognition and market trends. Compared to the original pricing based on the Yangtse River Spot Price, the new mechanism can minimize adverse impact caused by the volatility of futures prices, further enhance the Group's bargaining power, and improve the pricing system of the aluminum industry in China. In line with the development of a more reasonable, standardized and objective market, this milestone also demonstrates the Group's leadership and competitiveness.

PROGRESSING INTO THE FUTURE

Looking ahead, the Group will adhere to its strategy of prudent development by leveraging its industry cluster advantage brought by the "Integration of Aluminum, Electricity and Grid" and the "Integration of Upstream and Downstream Businesses". It will also strengthen its cost advantage and economies of scale, so as to consolidate its industry leading position. In addition, the Group will increase investments in technological innovation and environmental protection, and strive for further achievements in raw material supply, technology upgrade and energy conservation.

The Group is dedicated to enhancing its core competitiveness, paying close attention to policy directions to seize market opportunities and coping with future challenges. The Group is also committed to driving steady growth and sustainable development, and creating stable returns for its shareholders.

APPRECIATION

On behalf of the Board, I would like to thank the Group's management team and all employees for their untiring efforts and dedication, and the trust and support from all the shareholders, investors and business partners.

Zhang Shiping

Chairman of the Board

11 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Year, the growth of global aluminum supply was still very substantial. However, aluminum price remained weak, affected by pressures from both macro risks and fundamentals. In 2015, the average price of three-month aluminum futures on the LME decreased by 11.1% as compared with last year. During the Year, the average prices of SHFE spot market and three-month futures were RMB12,279 per ton (including value-added tax) and RMB12,300 per ton (including value-added tax), representing a decrease of 9.7% and 10.3% compared with 2014, respectively.

Antaike's data showed that global primary aluminum production reached 57,200,000 tons in 2015, representing an increase of 5.9% as compared with last year. As for consumption, global primary aluminum consumption reached 57,800,000 tons, representing an increase of 5.4% compared with last year. The growth in supply and demand of primary aluminum was higher than that of the global market. In China, the volume of primary aluminum production in 2015 was 31,000,000 tons, representing an increase of 9.9% compared with last year. The growth decreased by 2.5 percentage points. The consumption of primary aluminum in China amounted to 30,600,000 tons, representing an increase of 9.1% as compared with last year. The growth rate decreased by 3.1 percentage points.

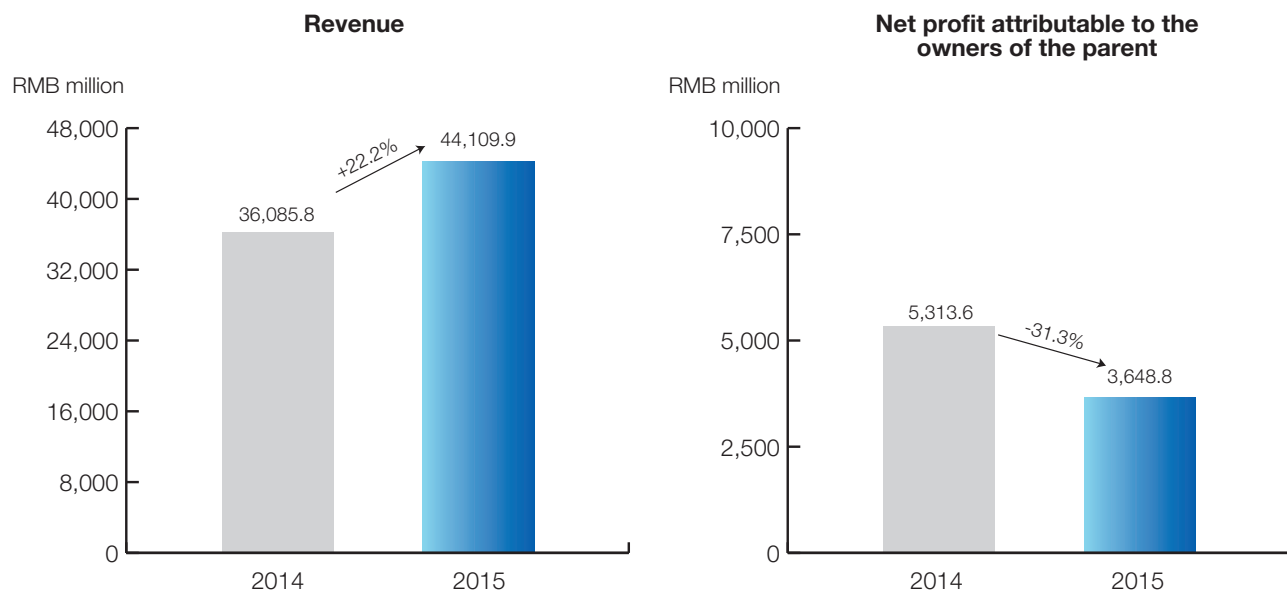
BUSINESS REVIEW

During the Year, the Group continued to advance its overseas raw materials procurement strategy, strengthen its unique industry cluster model and further extend its industrial chain in production capacity, enhancing cost advantage and core competitiveness to reinforce its leading position.

As of 31 December 2015, the Group's aggregate designed annual production capacity of aluminum products reached approximately 5,186,000 tons (as of 31 December 2014: approximately 4,026,000 tons), representing an increase of approximately 28.8% as compared with the corresponding period.

Driven by the increase of downstream market demand and the Group's production capacity, the Group's aggregate production of aluminum products in 2015 amounted to approximately 4,421,000 tons, representing a year-on-year increase of approximately 40.0%. Production volume of aluminum fabrication products reached approximately 196,000 tons, representing an increase of approximately 4.6% as compared with the corresponding period.

The Group's revenue and net profit attributed to the owners of the parent for the year ended 31 December 2015, with comparison figures for the year ended 31 December 2014, are as follows:



For the year ended 31 December 2015, the Group recorded revenue of approximately RMB44,109,934,000, representing a year-on-year growth of approximately 22.2%, mainly due to an increase in the Group's production and sales volume of aluminum products following a further increase in the Group's production capacity of aluminum products. During the Year, production volume for the Group's aluminum products and aluminum fabrication products reached in total approximately 4,281,847 tons, representing an increase of approximately 36.8% when compared to approximately 3,129,302 tons of the previous year. Affected by the price movement in China's aluminum market, the Group's average selling price of aluminum products decreased by approximately 10.4% from approximately RMB11,488 per ton (excluding value-added tax) in 2014 to approximately RMB10,289 per ton (excluding value-added tax) in the year.

For the year ended 31 December 2015, net profit attributable to the owners of the parent amounted to approximately RMB3,648,791,000, representing a year-on-year decrease of approximately 31.3%. The profit decreased due to the decrease of average selling price of aluminum products, compared with the corresponding period of the previous year, loss in foreign exchange and increase in finance costs and administrative expenses, although there was an increase in the production and sales volumes of the Group's aluminum products in the Year.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2015 and 2014.

Revenue breakdown by product

| Products | For the year ended 31 December | | | |
|-----------------------|--------------------------------|-------------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | Revenue | Revenue | Percentage of | Percentage of |
| | <i>RMB'000</i> | <i>RMB'000</i> | total revenue | total revenue |
| | | | % | % |
| Molten aluminum alloy | 40,291,596 | 31,009,199 | 91.4 | 85.9 |
| Aluminum alloy ingots | 1,731,393 | 2,759,627 | 3.9 | 7.6 |
| Aluminum busbars | – | 8,054 | – | 0.1 |
| Aluminum fabrication | 2,031,011 | 2,173,397 | 4.6 | 6.0 |
| Steam | 55,934 | 135,523 | 0.1 | 0.4 |
| Total | 44,109,934 | 36,085,800 | 100.0 | 100.0 |

As for revenue, the Group's revenue derived from aluminum products was approximately RMB44,054,000,000, accounting for approximately 99.9% of total revenue for the year ended 31 December 2015, among which the percentage share of aluminum alloy ingots in the revenue decreased while the percentage share of molten aluminum alloy in the revenue increased, which was mainly resulted from an increase in the sales volume of molten aluminum driven by the increased demand within the aluminum industry cluster located in the Group's production base. Revenue derived from sales of steam was approximately RMB55,934,000, accounting for approximately 0.1% of the total revenue. The decrease in the revenue derived from sales of steam was mainly resulted from the increase of the Group's usage of the steam during the process of the production of the major raw materials, thus the steam available for sale to third parties decreased accordingly.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin from its major products for the year ended 31 December 2015 and 2014.

| Products | For the year ended 31 December | | | | | |
|-------------------|--------------------------------|-----------------------------------|--------------------------------|---------------------------|-----------------------------------|--------------------------------|
| | 2015 | | | 2014 | | |
| | Revenue <i>RMB'000</i> | Gross profit <i>RMB'000</i> | Gross profit margin % | Revenue <i>RMB'000</i> | Gross profit <i>RMB'000</i> | Gross profit margin % |
| Aluminum products | 44,054,000 | 8,924,029 | 20.3 | 35,950,277 | 9,234,867 | 25.7 |
| Steam | 55,934 | 27,414 | 49.0 | 135,523 | 61,601 | 45.5 |
| Total | <u>44,109,934</u> | <u>8,951,443</u> | <u>20.3</u> | <u>36,085,800</u> | <u>9,296,468</u> | <u>25.8</u> |

For the year ended 31 December 2015, the overall gross profit margin was approximately 20.3%, and was decreased by approximately 5.5 percentage points as compared to approximately 25.8% for the corresponding period of the previous year. This was mainly due to the decrease in unit sales price of aluminum products during the Year compared to the corresponding period of the previous year but partly offset by the decrease in unit production costs of aluminum products, resulting in a narrowed profit margin. The Group expects that with the gradual increase in the self-supplied power ratio and self supply of alumina, there will be a positive effect on the Group's overall gross profit margin.

Distribution and selling expenses

The Group's distribution and sales expenses is approximately RMB88,449,000, decreased approximately by 6.4% for the year ended 31 December 2015 as compared to approximately RMB94,520,000 for the corresponding period of the previous year. This was mainly attributable to the increase in the percentage of sales volume of the Group's molten aluminum alloy products during the year but the unit price for transportation of molten aluminum alloy products was lower than other aluminum products, resulting in a decrease in the overall transportation costs.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2015 amounted to approximately RMB878,696,000, representing an increase of approximately 43.8% when compared to approximately RMB610,884,000 for the corresponding period of the previous year. Such an increase was mainly due to the fact that, on the one hand, there was an increase in employee headcounts and their remuneration for the expansion of the Group's production scale; on the other hand, the Group's building of new plant resulted in the increase in local tax payables, the increase of property taxes and the increase in bank commission charges.

Finance costs

For the year ended 31 December 2015, finance costs of the Group were approximately RMB3,217,096,000, representing an increase of approximately 68.8% when compared to approximately RMB1,905,377,000 for the corresponding period of the previous year. This was mainly due to an increase in exchange loss during the year and an increase in the total debts during the Year when compared to the corresponding period of the previous year, resulting in an increase in interest expenses charged to the Group.

Liquidity and financial resources

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB8,488,534,000, representing an increase of approximately 10.6% when compared to that of approximately RMB7,676,335,000 as at 31 December 2014.

For the year ended 31 December 2015, the Group had a net cash outflow from investing activities of approximately RMB17,396,212,000, a net cash inflow from financing activities of approximately RMB10,472,858,000, and a net cash inflow from operating activities of approximately RMB7,769,747,000.

For the year ended 31 December 2015, the capital expenditure of the Group amounted to approximately RMB17,119,993,000, mainly used for the expansion of its aluminum production capacity for aluminum products and the construction of advanced processing facilities, ancillary captive power facilities and alumina production base in Indonesia.

As at 31 December 2015, the Group had a capital commitment of approximately RMB17,763,163,000, representing projects in respect of the capital expenditure for purchase of property, plant and equipment, which are primarily used for the production capacity expansion for aluminum products, construction of high-end aluminum processing facilities, ancillary captive power facilities, alumina production base in Indonesia.

For the year ended 31 December 2015, the Group's average turnover days of trade receivables were approximately 6 days, representing an increase of approximately 3 days when compared to approximately 3 days for the corresponding period in the previous year. This was mainly because in order to strengthen the business relations with premium clients of aluminum products, the Group granted provisional credit periods to some premium clients for its aluminum products, so that the Group's trade receivables turnover days increased from the corresponding period of last year but still remained at a low level in the industry.

For the year ended 31 December 2015, the Group's turnover days of inventory was approximately 121 days, representing a decrease of approximately 24 days when compared to approximately 145 days for the corresponding period of the previous year, which was mainly due to the decreased cost of inventory of the Group resulting from the low level prices of major raw materials, such as coal and anode carbon block, although the production capacity of aluminum products of the Group increased.

Contingent liability

As of 31 December 2015, the Group has no contingent liability.

Income tax

The Group's income tax for 2015 amounted to approximately RMB1,638,754,000, decreased by approximately 19.1% when compared to approximately RMB2,026,366,000 for the corresponding period of the previous year, which was mainly attributable to the decrease of the Group's profit before taxation.

Net profit attributable to owners of the parent and earnings per share

Net profit attributable to owners of the parent was approximately RMB3,648,791,000 for the year ended 31 December 2015, representing a decrease of approximately 31.3% when compared to approximately RMB5,313,632,000 for the corresponding period in the previous year.

Basic earnings per share of the Company in 2015 were approximately RMB0.58 (2014: approximately RMB0.89).

Capital structure

The Group had built 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 of 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB8,488,534,000 (31 December 2014: approximately RMB7,676,335,000), which were mainly deposited with commercial banks. As at 31 December 2015, the total liabilities of the Group amounted to approximately RMB70,201,399,000 (as at 31 December 2014: approximately RMB50,993,723,000). Gearing ratio (total liabilities to total assets) was approximately 66.0% (as at 31 December 2014: approximately 61.1%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2015, approximately 29.0% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 71.0% were subject to floating interest rates.

The Group used part of its restricted bank deposits, notes receivables, equipment and prepaid lease payments as collateral for its bank borrowings to partially finance its daily operations and project construction. As of 31 December 2015, the Group's secured bank borrowings has been fully settled (as at 31 December 2014: approximately RMB594,969,000).

The Group aims to maintain a balance between the continuity and flexibility of funds by employing bank loans. As of 31 December 2015, approximately 51.0% of the Group's bank borrowings will become due within one year.

As at 31 December 2015, the current liabilities of the Group were more than the current assets by approximately RMB9,378,340,000. In 2016, 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 long-term and short-term debts. In addition, the Group will properly control the capital expenditure, to sustain its existing production capacity, control its production costs, improve the profitability and improve its cash flow position, so as to maintain the adequate liquidity of the Group's capital. Having considered the fact that the Group did not encounter any difficulty in renewal the short-term bank borrowings of the Group upon maturity, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

As at 31 December 2015, the Group's debts were mainly denominated in Renminbi and US Dollars for calculation, among which, Renminbi debts and US Dollar debts accounted for approximately 65.5% and approximately 34.5% of the total debts, respectively. Cash and cash equivalents were mainly held in Renminbi and US Dollars, among which approximately 97.5% of the cash and cash equivalents was held in Renminbi and approximately 1.8% of the cash and cash equivalents was held in US Dollars.

Employee and remuneration policy

As at 31 December 2015, the Group had a total of 65,076 employees, increased by 18,866 employees when compared to that of the corresponding period of the previous year. The main reason for the increase was that for the purposes of the expansion of the Group's production capacity and adaptation to production needs during the Period under Review, the Group recruited additional staff and enriched our reserve of human resources simultaneously. During the Year, the total staff costs amounted to approximately RMB3,021,403,000, representing approximately 6.8% of the Group's revenue. The remuneration packages of the Group's employees include salary and various types of allowances.

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

Foreign exchange risk

The Group collected most of its revenue in Renminbi and funded most of its capital expenditures in Renminbi. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings and senior notes are denominated in foreign currencies, the Group are exposed to certain risk of foreign exchange. As of 31 December 2015, the Group's bank balances denominated in foreign currencies were approximately RMB214,842,000, and liabilities denominated in foreign currencies were approximately RMB19,146,805,000. For the year ended 31 December 2015, the Group recognized foreign exchange loss of approximately RMB999,615,000.

For the year ended 31 December 2015, the Group did not use other financial instruments for exchange rate hedging purpose.

Events after the period

On 15 January 2016, Shandong Hongqiao New Material Co., Ltd. (“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-year (5-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back after 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 28 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-year (5-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back after the end of the third year), carrying interest of 4.50% per annum.

On 25 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-year (5-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back after the end of the third year), carrying interest of 4.04% per annum.

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. For details of the rights issue, please refer to the announcements of the Company dated 8 January 2016, 22 January 2016 and 17 February 2016, respectively. The net proceeds from the rights issue is HK\$3,829,102,000, among which, 80% will be applied as the working capital of the Group, and the remaining 20% of the net proceeds will be used to repay certain loans of the Group.

On 9 March 2016, Shandong Weiqiao Aluminum & Power Co., Ltd. (“Weiqiao Aluminum & Power”) completed the issuance of 2016 domestic corporate bonds (first tranche), the offering size of corporate bonds was RMB4,000,000,000, among which, the offering size of corporate bonds with term of 3+2-year (5-year fixed rate bonds, with the issuer’s option to adjust the coupon rate and the investors’ entitlement to sell back after 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.

SUPPLEMENTARY INFORMATION

SUFFICIENCY OF PUBLIC FLOATING

Based on the information that is publicly available to the Company and as far as the directors are aware, the Company has maintained the amount of public float as approved by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and as permitted under the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange as at the date of this announcement.

PRE-EMPTIVE RIGHTS

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

THE BOARD

As at 31 December 2015, the Board comprised three executive directors, two non-executive directors, three independent non-executive directors.

The Board members are as follows:

Executive Directors

Mr. ZHANG Shiping (*Chairman*)

Ms. ZHENG Shuliang (*Vice Chairman*)

Mr. ZHANG Bo (*Chief Executive Officer*)

Non-Executive Directors

Mr. YANG Congsen

Mr. ZHANG Jinglei

Independent Non-Executive Directors

Mr. XING Jian

Mr. CHEN Yinghai

Mr. HAN Benwen

Mr. ZHANG Shiping is the husband of Ms. ZHENG Shuliang, father of Mr. ZHANG Bo and father-in-law of Mr. YANG Congsen.

DIRECTORS’ SERVICE CONTRACTS

Each of the directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date 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 proposed for re-election at the 2015 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 2015 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 2015.

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

As at 31 December 2015, 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 (the "SFO") (Chapter 571 of the Laws of Hong Kong)) 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 | 5,000,000,000 | 78.51 |
| Ms. ZHENG Shuliang ⁽²⁾ | Interest of spouse | 5,000,000,000 | 78.51 |
| Mr. ZHANG Bo ⁽³⁾ | Beneficial Owner | 8,870,000 | 0.14 |

Notes:

- (1) The interests of Mr. ZHANG Shiping in the Company were held through its wholly-owned subsidiary China Hongqiao Holdings Limited ("Hongqiao Holdings").
- (2) Ms. ZHENG Shuliang, the spouse of Mr. ZHANG Shiping, is deemed to be interested in all the shares of the Company in which Mr. ZHANG Shiping is interested.
- (3) Mr. ZHANG Bo is the son of Mr. ZHANG Shiping and Ms. ZHENG Shuliang.

Save as disclosed above, as at 31 December 2015, 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 or taken 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 2015, 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 | 5,000,000,000 | 78.51 |
| Ms. ZHENG Shuliang ⁽²⁾ | Interest of spouse | 5,000,000,000 | 78.51 |
| Prosperity Eastern Limited ⁽³⁾ | Trustee | 5,000,000,000 | 78.51 |
| Hongqiao Holdings | Beneficial owner | 5,000,000,000 | 78.51 |

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) Prosperity Eastern Limited as the trustee holds such interests in shares on behalf of Mr. ZHANG Shiping.

Save as disclosed above, as at 31 December 2015, 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 2015 and up to the date of this announcement, was the Company or any of its subsidiaries a party to any arrangement that would enable the directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other associated corporations, and none of the directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares or debentures of the Company or any other associated corporations or had exercised any such right in the period.

FINAL DIVIDENDS

The Board proposed the payment of a final dividend of HK15.0 cents per share for the year ended 31 December 2015. The proposed final dividends, subject to the approval of the shareholders at the 2015 annual general meeting, will be paid on 28 June 2016 to the shareholders whose names appear on the register of members of the Company on 10 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Tuesday, 3 May 2016 to Monday, 9 May 2016 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2015 annual general meeting of the Company and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Friday, 29 April 2016. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The share register of the Company will be closed from Monday, 6 June 2016 to Friday, 10 June 2016 (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 Friday, 3 June 2016. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive directors. An Audit Committee meeting was held on 11 March 2016 to review the consolidated financial statements of the Group for the year ended 31 December 2015. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2015 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

The shares of the Company has been listed on the Stock Exchange since 24 March 2011. Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015 and up to the date of this announcement.

CONVERTIBLE BONDS

Pursuant to the announcement of the Company issued on 21 March 2012 in relation to the proposed issue of US\$150,000,000 6.5% convertible bonds due 2017, all conditions precedent under the subscription agreement have been satisfied (or waived) and completion of the subscription agreement took place on 10 April 2012. For further details, please refer to the above mentioned announcement.

Approval has been granted for the listing of the convertible bonds on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The convertible bonds have been listed and quoted on the SGX-ST with effect from 9:00 a.m. 11 April 2012. The approval in-principle granted for the listing of the convertible bonds on the SGX-ST is not to be taken as an indication of the merits of the convertible bonds. Approval for the listing of, and permission to deal in, the convertible shares has been granted by the Stock Exchange.

According to the announcement of the Company dated 3 July 2015 in relation to completion of redemption of convertible bonds due 2017, that there are no outstanding convertible bonds and all convertible bonds have been converted into conversion shares as at the redemption date. Such conversion shares will be issued and allotted pursuant to the general mandate granted by the shareholders to the directors at the annual general meeting of the Company held on 19 May 2015. The proceeds from issuance of convertible bonds by the Group has been used up in 2012 and entirely used for the improvement of aluminum products capacity and the setting up of captive power facilities of the Group.

CORPORATE BONDS OF SHANGDONG HONGQIAO

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)" from National Development and Reform Commission, approving Shandong Hongqiao to issue the corporate bonds of no more than RMB2,300,000,000 in the PRC. On 3 March 2014, the issuance of the seven-year domestic corporate bonds (first tranche) was completed by Shandong Hongqiao, with a final offering size of RMB1,200,000,000 and the coupon rate was 8.69%. The seven-year domestic corporate bonds (second tranche) was completed on 21 August 2014 by Shandong Hongqiao, with a final offering size of RMB1,100,000,000 and the coupon rate was 7.45%. Please refer to the announcements of the Company dated 13 September 2013, 28 February 2014 and 21 August 2014, respectively, for details.

CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER

On 8 October 2015, the Company's subsidiary, Weiqiao Alumina & Power received the "Approval for the Issue of Corporate Bonds by Shandong Weiqiao Alumina & 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覆》) from the National Development and Reform Commission approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB1,000,000,000 in the PRC. On 26 October 2015, Weiqiao Alumina & Power completed the issuance of 2015 corporate bonds, with an offering size of RMB1,000,000,000, for a term of 4+3-year, with an interest of 5.26% per annum.

SENIOR NOTES

On 26 June 2014, the Company issued 7.625% senior notes due 2017 in the aggregate principal amount of US\$400,000,000. Please refer to the announcements of the Company dated 16 June 2014, 20 June 2014 and 30 June 2014, respectively, for details.

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the directors, the Company has confirmed that each of the directors complied with the required standard set out in the Model Code regarding securities transactions by the directors throughout the year ended 31 December 2015 and up to the date of this announcement.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules.

For the year ended 31 December 2015, the Company was in compliance 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 6 April 2016 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

11 March 2016

As at the date of this announcement, the board of directors of the Company 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