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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)

INSIDE INFORMATION
CLARIFICATION ANNOUNCEMENT REGARDING THE PRESS ARTICLES

This announcement is made by China Hongqiao Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to make clarification on certain recent press articles (the “**Articles**”) containing statements in relation to the shut-down of the Company’s electrolytic aluminum projects with production capacity of 2.68 million tonnes.

The Articles mentioned that ten relevant authorities, including Shandong Development and Reform Commission (山東省發展與改革委員會), formulated the Shandong Province Reduction of Coal Consumption Alternative Action Plan for the Year 2017* (《山東省2017年煤炭消費減量替代工作行動方案》, the “**Action Plan**”). According to the Action Plan, Shandong Weiqiao Chuangye Group Co., Ltd.* (山東魏橋創業集團有限公司) misconducted the construction of five electrolytic aluminum projects with production capacity of 2.68 million tonnes (the “**Projects**”). The local government is responsible for shutting down the Projects by the end of July 2017 (the “**Capacity-shut-down Event**”). The Company would like to clarify that according to the confirmation of relevant government, the responsible entity for the Capacity-shut-down Event is the Group instead of Shandong Weiqiao Chuangye Group Co., Ltd.* (山東魏橋創業集團有限公司) and the Group shall be responsible for shutting down the Projects.

On 12 April 2017, the National Development and Reform Commission of the People’s Republic of China (the “**PRC**”) (中國國家發展與改革委員會), the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部), the Ministry of Land and Resources of the PRC (中國國土資源部) and the Ministry of Environmental Protection of the PRC (中國環境保護部) jointly issued Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects* (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通告》). The issuance of such policy manifests continuing promotion of the reform of the supply-side and healthy and stable development of Chinese aluminum industry by the PRC government. As at the date of this announcement, in response to the relevant governmental regulations, decisions and action plans in Chinese aluminum industry, Shandong Hongqiao New Materials Co., Ltd.* (山東宏橋新型材料有限公司), the subsidiary of the Company, has shut down

the Projects with annual production capacity of 2.68 million tonnes of aluminum products. As at the date of this announcement, the production capacity involved in the Capacity-shut-down Event represented approximately 29% of the Group's total production capacity of aluminum products.

The effect brought by the Capacity-shut-down Event is mainly on the Group's production scale. Its effect on the use value of assets involved in the Capacity-shut-down Event depends on a series of factors including maintenance conditions of assets and the feasibility of assets reusing. The Company will engage an independent third party to assess such effect by appraisal report. Although the Capacity-shut-down Event may have certain effect on the Group's expected sales income, the depreciation calculation and the long-term assets impairment in 2017, the reform of supply-side of aluminum industry continuously advanced by the PRC government contributes to the healthy and stable development of Chinese aluminum industry and is expected to provide strong support to the price of the aluminum products and further increase the profitability of the enterprises in the Chinese aluminum industry. In the meantime, with the gradually increasing application of the aluminum products in areas including the light-weighting of automobile, the high speed rail and the aerospace, the consumption 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. Accordingly, the Company believes that, under the continuous effect deriving from the reform of the supply-side in the aluminum industry, the continuing increase of the aluminum price is expected have positive effect on the cash flow of the Group, which contributes to enhancing the Group's profitability.

In the meantime, the management of the Company will proactively seek various measures, including assets disposal and communication with relevant governmental authorities on the industrial policies and plans, so as to make its best effort to mitigate the adverse effect brought by the Capacity-shut-down Event. The Company will firmly advance the development strategy of "Integration of Aluminum and Electricity" and "Integration of upstream and downstream" by leveraging its own business strengths while concurrently maintaining a stable and healthy development of its existing businesses.

The Company confirms that the current total production capacity under the Group's operation of 6.46 million tonnes was all filed properly in accordance with relevant regulations. As at the date of this announcement, the production and operation and financial conditions of the Group remained normal.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Shandong, the PRC
15 August 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.