

**CHINA HONGQIAO GROUP LTD:  
DON'T HOLD YOUR BREATH, WAITING FOR A DIVIDEND**

Whenever a company, in the Global Offering Prospectus of its **Initial Public Offering (IPO)**, states, definitively, that it may be unable to pay any dividend in the foreseeable future, it is probably a very honest and factual statement.

One would be wise to accept that such a statement is true and fair in all respects.

And, in respect of the 45-month, track-record period, ended September 30, 2010, the company to which **TARGET** () is referring had neither recommended nor paid a dividend to its shareholders.

The above-mentioned statements in reference to the expected inability of Management to recommend or pay a dividend to shareholders were all made in the Global Offering Prospectus of China Hongqiao Group Ltd () (Code: 1378, Main Board, The Stock Exchange of Hongkong Ltd).

At Page 50 of the Global Offering Prospectus, it is stated, inter alia: '*We cannot assure you that we will declare dividends at all in the future ...*'.

It would be fair to state that no member of the Senior Management of a publicly listed company would want to make such a declaration unless it was absolutely correct and necessary in the interests of fairness and honesty.

At this point, one may be put off in considering this Company as a candidate for an investment.

It gets worse, however, or better, depending on one's disposition.

On scanning the Indebtedness Statement of China Hongqiao Group Ltd, located at Page 229 of the Global Offering Prospectus, it is clearly declared that, as at November 30, 2010, the Total Bank Borrowings stood at about 4.03 billion renminbi.

That very material sum of money represented an increase of about 288 percent, compared with the indebtedness position as at December 31, 2009 (about 1.04 billion renminbi).

The following table is lifted from Page 229:

	'As of As of September November As of December 31, 30, 30, 2007 2008 2009 2010 2010 (RMB'000)				
Secured bank borrowings <sup>(1)</sup> . . . . .	346,700	97,500	22,000	17,000	90,438
Unsecured bank borrowings. . . . .	<u>490,455</u>	<u>1,452,007</u>	<u>1,022,492</u>	<u>4,244,000</u>	<u>3,944,000</u>
Total . . . . .	<u>837,155</u>	<u>1,549,507</u>	<u>1,044,492</u>	<u>4,261,000</u>	<u>4,034,438</u>

(1) Secured by bills receivable, restricted bank deposits and prepaid lease payment.'

The negative initial introduction to this Company, however, becomes more and more dismal as one continues to vivisect the data, contained in the Global Offering Prospectus.

### **The Business**

China Hongqiao Group Ltd is in the business of being an aluminium product manufacturer in the People's Republic of China (PRC), proper, being separate and distinct from the Hongkong Special Administrative Region (HKSAR) of the PRC.

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