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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)

THE ACQUISITION OF SHARES OF THE TARGET COMPANY

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 14 August 2016, Shandong Hongqiao, a wholly-owned subsidiary of the Company, and Mr. Yu entered into the Share Transfer Agreement in relation to the acquisition of the Target Shares, which represent approximately 28.18% equity interest in the Target Company.

The Acquisition is subject to the satisfaction of all conditions precedent and approval from relevant authorities. Therefore the Acquisition may or may not materialize. Further announcement(s) in relation to the Acquisition will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

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

This announcement is made by China Hongqiao Group Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcements made by the Company on 17 May 2016 and 1 July 2016 (the “**Announcements**”), in relation to the entering into the MOU and the Supplemental MOU. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

The Board is pleased to announce that on 14 August 2016, Shandong Hongqiao entered into the share transfer agreement (the “**Share Transfer Agreement**”) with Mr. Yu Rongqiang (于榮強先生) (“**Mr. Yu**”) in relation to the acquisition of 261,096,605 shares of the Target Company (the “**Target Shares**”), representing approximately 28.18% equity interest in the Target Company (the “**Acquisition**”). After the Acquisition, the Target Company will be held as to 28.18% by Shandong Hongqiao, and Shandong Hongqiao will become the single largest shareholder of the Target Company.

The principle terms of the Share Transfer Agreement are set out below:

THE SHARE TRANSFER AGREEMENT

Date

14 August 2016

Parties

- (a) Mr. Yu Rongqiang (于榮強先生), as the Seller; and
- (b) 山東宏橋新型材料有限公司 (Shandong Hongqiao New Material Co., Ltd.*), as the Buyer.

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Target Company and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and connected persons (as defined under the Listing Rules) of the Company.

Consideration

The consideration of the Share Transfer Agreement shall be the number of Target Shares multiple the higher of the following:

- (a) 95% of the closing price of the Target Company in the secondary market on the last trading day before the date of the execution of the Share Transfer Agreement (being RMB3.83 per share), which is RMB3.64 per share; or
- (b) the closing price of the Target Company in the secondary market on the last trading day before the date of the submission of the application to Shenzhen Stock Exchange.

Pursuant to the Share Transfer Agreement, the consideration shall be paid by Shandong Hongqiao within three business days from the date of the completion of the release of pledges and the transfer of the Target Shares. In the case that the Deposit paid by Shandong Hongqiao (being RMB900,000,000) is more than the consideration, Mr. Yu shall refund the difference to Shandong Hongqiao; if the consideration exceeds the paid Deposit, Shandong Hongqiao shall pay the rest of the consideration to Mr. Yu.

Unless otherwise agreed by the parties of the Share Transfer Agreement, the taxation and fees in relation to the transfer of Target Shares shall be borne by the parties respectively in accordance with relevant laws and regulations.

Completion of the release of pledges and the transfer of the Target Shares

The parties of the Share Transfer Agreement shall complete the release of pledges and the transfer of the Target Shares within five business days from the date when the Share Transfer Agreement becomes effective.

Conditions Precedent

The Share Transfer Agreement's effectiveness is conditional upon the execution by the parties and the satisfaction of the following conditions:

- (a) Shandong Hongqiao conducts legal and financial due diligence on the Target Company and no matters materially obstructing the Acquisition have been found;
- (b) issuance of a standard and unqualified auditor's report on the Acquisition;
- (c) release of any pledge or other encumbrance on the shares subjecting to the Acquisition (Shandong Hongqiao shall fully assist. The pledges offered by Mr. Yu to Shandong Hongqiao for the purpose of this Acquisition are not bound by this condition, and such pledges shall be released at an appropriate time prior to the transfer of Target Shares);
- (d) the Target Shares are unlimited for sale;
- (e) the parent company or connected parties of Shandong Hongqiao have obtained approvals from the bonds holders' meeting and creditors (if necessary);
- (f) the submission of concentration of business operators involved by the Acquisition has been reviewed and approved by the Commerce Department of PRC (中華人民共和國商務部);
- (g) the Acquisition has been approved by the Department of Commerce of Shandong Province (山東省商務廳) (if necessary); and

(h) announcements and disclosure documents have been reviewed and approved by Shenzhen Stock Exchange and China Securities Regulatory Commission (中國證券監督管理委員會) (if necessary).

Shandong Hongqiao may change or waive the above conditions precedent according to the change of regulatory policies and the actual working progress. In the event that any conditions precedents has been changed or waived by Shandong Hongqiao, Mr. Yu has agreed to procure the satisfaction of relevant conditions within the period required in accordance with Shandong Hongqiao's other requirements (if any).

GENERAL INFORMATION ON THE TARGET COMPANY

The Target Company, Loften Environmental Technology Co., Ltd (魯豐環保科技股份有限公司) is a joint stock company incorporated in the PRC with limited liability whose shares are listed on Shenzhen Stock Exchange (stock code: 002379), which is primarily engaged in aluminum plate and strip manufacture business in the PRC.

According to the 2015 annual report of the Target Company, the total number of issued shares of the Target Company was 926,400,000 shares as at 31 December 2015. According to the quarterly report for the first quarter of 2016 of the Target Company, its total assets as at 31 March 2016 was approximately RMB2,135,663,000. For the three months ended 31 March 2016, the Target Company recorded a revenue of approximately RMB185,067,000 and a net loss attributable to shareholders of approximately RMB4,028,000. For further information of the Target Company, please refer to the website of Shenzhen Stock Exchange (www.szse.cn).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sales of aluminum products. The Acquisition is expected to enhance the effort of the Group's industrial integration, improve the product mix and extend the industrial chain of the Group so as to further consolidate its leading position in the aluminum industry. The Group expects that the Acquisition will play a very important role in enhancing the Group's position in the area of aluminium deep processing through industrial integration and also bring positive impact to the Group's production and operation.

The Acquisition is subject to the satisfaction of all conditions precedent and approval from relevant authorities. Therefore the Acquisition may or may not materialize. Further announcement(s) in relation to the Acquisition will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

Accordingly, shareholders and potential investors 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 2016

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.