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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)

DISCLOSEABLE TRANSACTION
THE ACQUISITION OF THE 100% EQUITY INTEREST
IN THE TARGET COMPANY

THE AGREEMENT

On 24 June 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the 100% equity interest in the Target Company, at a total consideration of RMB2,120,000,000.

After the Acquisition, the Target Company will become wholly owned by the Purchaser, which will enjoy the rights and assume the obligations in relation to the 100% equity interest in the Target Company.

LISTING RULES IMPLICATION

As at least one of the applicable percentage ratios (including the liabilities of the Target Company) (as defined under the Listing Rules) in respect of the Agreement and the transaction contemplated thereunder exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 24 June 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the 100% equity interest in the Target Company, at a total consideration of RMB2,120,000,000.

After the Acquisition, the Target Company will become wholly owned by the Purchaser, which will enjoy the rights and assume the obligations in relation to the 100% equity interest in the Target Company.

The principal terms of the Agreement are set out below:

THE AGREEMENT

Date

24 June 2016

Parties

- (a) 濱州北海滙宏新材料有限公司 (Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd.*), an indirectly wholly-owned subsidiary of the Company, as the Purchaser; and
- (b) 中信信託有限責任公司 (CITIC Trust Co., Ltd.), as the Vendor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, the Target Company and their ultimate beneficial owners are third parties independent of the Company and its connected person(s) (as defined under the relevant Listing Rules).

Assets to be acquired

Pursuant to the Agreement, the Purchaser has agreed to purchase and the Vendor has agreed to sell the 100% equity interest in the Target Company, free from any encumbrance and together with all rights and obligations attached or accruing thereto.

Consideration

The total consideration was RMB2,120,000,000, which was agreed upon by the Purchaser and the Vendor after arm's length negotiation with reference to the appraisal report issued by an independent valuer on the low appraisal value of the 100% equity interests in the Target Company as at 31 December 2015 (the "Valuation Date"), which is of approximately RMB2,186,108,200.

Pursuant to the Agreement, the consideration shall be payable by the Purchaser to the Vendor within three business days after the Transfer Date.

Transfer of the equity interest of the Target Company

- (a) the Vendor shall transfer the 100% equity interest of the Target Company and relevant materials related to the such equity interest as required by the Purchaser within 5 business days after the payment of total consideration by the Purchaser to the Vendor;
- (b) the Target Company shall not distribute any profit during the period from the Valuation Date to the date completing the industrial and commercial registration; and
- (c) after the completion of the transfer as mentioned in (a), (i) such equity interest shall be wholly controlled by the Purchaser, and the Purchaser shall enjoy the rights and assume the obligations in relation to such equity interest; and (ii) the Vendor will no longer enjoy any rights or assume any obligations in relation to such equity interest.

Other material terms

Within 10 business days after the Purchaser pays off the total consideration, the Target Company shall complete the registration of changes at competent Administration of Industry and Commerce, and the Purchaser and the Vendor shall actively cooperate.

INFORMATION OF THE COMPANY AND THE VENDOR

The Company is mainly engaged in the manufacturing and sales of aluminum products.

The Vendor is a limited liability company established in the PRC on 1 March 1988, which is mainly engaged in investment fund, trust, asset reorganization, merger and acquisition and financing businesses.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 24 August 2011, which is wholly owned by the Vendor and is mainly engaged in the production and sales of alumina, aluminum plate, aluminum foil, aluminum belt, and other aluminum products. At present, the Target Company owns a designed annual product capacity of alumina of 2,000,000 tons and generators units with 240MW.

Financial information of the Target Company

Set out below is the audited profits/(losses) before and after taxation of the Target Company for the two financial years ended 31 December 2014 and 2015, respectively, prepared in accordance with the accounting policies in the PRC:

	For the year ended 31 December	
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Profits/(losses) before taxation	555,822	(77,142)
Profits/(losses) after taxation	416,853	(77,142)

The low appraisal value of the 100% equity interests in the Target Company as at the Valuation Date as set out in the appraisal report was RMB2,186,108,200.

As at the Valuation Date, the appraised total assets of the Target Company was approximately RMB7,271,083,000; net assets was approximately RMB2,186,108,200; total liabilities was approximately RMB5,084,975,000. After the Acquisition, the Group shall repay the liabilities when due or arrange re-finance according to the internal financial situation of the Group. As at the Valuation Date, the Group has cash and cash equivalents of approximately RMB8,488,534,000, therefore, the Group has sufficient financial resources to complete the Acquisition and to repay the liabilities of the Target Company (if necessary).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sales of aluminum products. Alumina and electricity are the important components of the production costs of the Group's products. Through the Acquisition, the self-sufficiency ratios of raw materials and electricity of the Group can be further enhanced, which display the scale advantage and cost advantage, such that the competitiveness and profitability of the Group can be further enhanced. Through the acquisition of the existing raw material and production facilities, the financial input of the Group in respect of the construction of new facilities can be reduced, which is in the interests of the Shareholders as a whole in the long run.

Taking into account the reasons for and benefits of the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at least one of the applicable percentage ratios (including the liabilities of the Target Company) (as defined under the Listing Rules) in respect of the Agreement and the transaction contemplated thereunder exceeds 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Acquisition”	the acquisition of the 100% equity interest in the Target Company by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the equity transfer agreement dated 24 June 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of directors of the Company
“Company”	China Hongqiao Group Limited, a company incorporated on 9 February 2010 as an exempt company with limited liability under the laws of Cayman Island and the shares of which are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan)
“Purchaser”	濱州北海滙宏新材料有限公司 (Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd.*), a limited liability company established in the PRC on 4 September 2013 and an indirect wholly-owned subsidiary of our Company

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	濱州市北海信和新材料有限公司 (Binzhou Municipal Beihai Xinhe New Material Co., Ltd.*), a limited liability company established in the PRC on 24 August 2011
“Transfer Date”	24 June 2016
“Vendor”	中信信託有限責任公司 (CITIC Trust Co., Ltd.) a limited liability company established in the PRC on 1 March 1988
“%”	per cent

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

Shandong, the PRC
24 June 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.

** For identification purposes only.*