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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

PROPOSAL FOR ACQUISITION OF ASSETS BY ISSUANCE OF SHARES

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

PROPOSAL FOR ACQUISITION OF ASSETS BY ISSUANCE OF SHARES

Reference is made to the announcement of the Company dated 23 December 2024 in relation to the agreement of intent for the acquisition of assets by issuance of shares entered into between Weiqiao Aluminum & Power and Hontron Holding. Hontron Holding plans to acquire all equity interests in Hongtuo Industrial by issuing new shares to the existing shareholders of Hongtuo Industrial, including Weiqiao Aluminum & Power, as consideration for the acquisition. On 6 January 2025, the board of directors of Hontron Holding resolved to approve the proposal for the Transaction, pursuant to which Hontron Holding intends to issue new shares to the existing shareholders of Hongtuo Industrial (including Weiqiao Aluminum & Power) to acquire Target Shares held by them. Upon completion of the Transaction, the shareholding proportion of the Company in Hontron Holding will increase accordingly, and both Hontron Holding and Hongtuo Industrial (through Hontron Holding) will continue to be subsidiaries of the Group.

LISTING RULES IMPLICATION

The Company will comply with the relevant requirements of the Listing Rules according to the subsequent development of the Transaction (if necessary).

As at the date of this announcement, the relevant details of the Transaction (including but not limited to the consideration of the Transaction and the specific status of the share issuance of Hontron Holding) are pending further determination, and it is uncertain whether the Transaction will obtain the approval, authorisation or consent of the relevant regulatory authorities. There can be no assurance that the Transaction will proceed or when it will proceed. The Company will make further announcements on the progress of the Transaction as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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THE TRANSACTION

1. The type of shares to be issued and the nominal value per share

The class of shares to be issued by Hontron Holding in connection with the Transaction is domestic RMB ordinary shares (A shares), with a nominal value of RMB1.00 per share.

2. Target and method of issuance

Hontron Holding will purchase the Target Shares held by the Sellers by issuance of shares.

3. Pricing benchmark date and issue price of the shares to be issued

The pricing benchmark date for the acquisition of assets by issuance of shares is the date of announcement of the resolutions of the first interim meeting in 2025 of the sixth session of the board of directors of Hontron Holding, that is, 7 January 2025. As at the date of this announcement, the audit, valuation and due diligence related to the Transaction have not been completed, and the price of the Target Shares has not been finally determined. The final transaction price will be determined through negotiation by the parties thereto, with reference to the valuation results of the asset appraisal report issued by an asset appraisal institution in compliance with the provisions of the Securities Law of the PRC.

According to the provisions of the Administrative Measures for the Significant Asset Restructuring of Listed Companies, the price of shares issued by listed companies shall not be lower than 80% of the market reference price. The market reference price is one of the average trading prices of the company's stock over the 20 trading days, 60 trading days or 120 trading days prior to the pricing benchmark date.

After friendly negotiation among the parties thereto, the issue price of the Transaction is RMB5.34 per share, which is 80% of the average trading price of the shares of Hontron Holding over the 120 trading days prior to the pricing benchmark date (rounded up to the nearest two decimal places).

During the period from the pricing benchmark date to the completion of the issuance, in the event of any ex-right or ex-dividend events of Hontron Holding, such as dividend distribution, bonus shares, capital increase by conversion, or rights issue, the issue price will be adjusted in accordance with the relevant laws and regulations of the regulatory authorities.

4. Number of the shares to be issued

The formula for calculating the number of shares to be issued in the Transaction is: the number of shares to be issued to the Sellers = the amount of consideration to be paid to the Sellers \div the issue price of the shares to be issued in the Transaction, and rounded down to the nearest whole share, with any fractional shares being included in the capital reserve. Given that the transaction consideration for the Target Shares has not yet been determined, the number of shares to be issued to the Sellers in the Transaction has not yet been determined. The specific number of shares to be issued will be disclosed in the Restructuring Report.

The number of shares to be issued eventually shall be subject to such number as considered and approved at the general meeting of Hontron Holding, reviewed and approved by the SZSE, and registered with the CSRC.

During the period from the pricing benchmark date to the completion of the issuance, in the event of any ex-right or ex-dividends events of Hontron Holding, such as dividend distribution, bonus issue, capital increase by conversion, or rights issue, the above issue price will be adjusted in accordance with the relevant laws and regulations of the regulatory authorities, and the number of shares to be issued shall be adjusted accordingly.

5. Listing place of the shares to be issued

The shares to be issued for the acquisition of assets by issuance of shares are intended to be listed on the SZSE.

6. Lock-up period arrangement

Shandong Hongqiao (being the controlling shareholder of Hontron Holding under the applicable rules of the SZSE) undertakes that:

- (1) The shares in Hontron Holding already held by Shandong Hongqiao prior to the completion of the execution of the Transaction shall not be transferred within 18 months from the completion date of the execution of the Transaction, except for the transfers among different entities controlled by the same actual controller.
- (2) During the above share lock-up period, any shares increased due to reasons such as bonus issue or capital increase by conversion of Hontron Holding shall also comply with the above arrangements for the share lock-up period.
- (3) If there are changes in the relevant laws, regulations, and regulatory rules or opinions regarding the lock-up of shares, Shandong Hongqiao will make corresponding adjustments according to the relevant regulations and regulatory opinions of the CSRC and the SZSE.

Weiqiao Aluminum & Power (being the controlling shareholder of Hongtuo Industrial under the applicable rules of the SZSE) undertakes that:

- (1) The shares in Hontron Holding acquired by Weiqiao Aluminum & Power in the Transaction shall not be transferred within 36 months from the completion date of the issuance of such shares, except for the transfers among different entities controlled by the same actual controller.
- (2) If, within 6 months after the completion of the Transaction, the closing price of the shares of Hontron Holding for 20 consecutive trading days is lower than the issue price, or if at the end of the 6-month period after the completion of the Transaction, the closing price of the shares of Hontron Holding is lower than the issue price, the lock-up period of the shares in Hontron Holding obtained by Weiqiao Aluminum & Power through the Transaction will be automatically extended by 6 months.
- (3) During the above share lock-up period, any shares increased due to reasons such as bonus issue or capital increase by conversion of Hontron Holding shall also comply with the above arrangements for the share lock-up period.
- (4) If the above share lock-up period is inconsistent with the latest regulatory opinions of the securities regulatory authorities, Weiqiao Aluminum & Power will make corresponding adjustments to the above lock-up undertakings according to the regulatory opinions of the relevant securities regulatory authorities.

The Sellers (other than Weiqiao Aluminum & Power) (the “**Other Sellers**”) undertake that:

- (1) The shares in Hontron Holding acquired by the Other Sellers in the Transaction shall not be transferred within 12 months from the completion date of the issuance of such shares.
- (2) During the above share lock-up period, any shares increased due to reasons such as bonus issue or capital increase by conversion of Hontron Holding shall also comply with the above arrangements for the share lock-up period.
- (3) If the above share lock-up period is inconsistent with the latest regulatory opinions of the securities regulatory authorities, the Other Sellers will make corresponding adjustments to the above lock-up undertakings according to the regulatory opinions of the relevant securities regulatory authorities.

7. Undertaking made by Shandong Hongqiao in respect of reduction in shareholding

Shandong Hongqiao (being the controlling shareholder of Hontron Holding according to the applicable rules of the SZSE) has issued the “Undertaking Regarding No Shareholding Reduction Plan During the Transaction”. The main contents are as follows: 1. during the period from the date of disclosure of the proposal for the Transaction to the completion of the execution, Shandong Hongqiao undertakes not to reduce its shareholding in Hontron Holding and has no plan to reduce its shareholding in Hontron Holding; during the above period, any shares in Hontron Holding increased due to events of Hontron Holding such as bonus issue or capital increase by conversion shall also comply with the aforesaid arrangement. 2. If Shandong Hongqiao violates the above undertakings and causes losses to Hontron Holding or other investors, Shandong Hongqiao shall bear the corresponding compensation liability in accordance with the laws.

8. Profit and loss arrangements during the transition period

As the relevant audit and valuation work of the Target Shares have not been completed, the Transaction has not yet agreed on the profit and loss arrangement during the transition period (i.e. the period from the valuation benchmark date to the completion date of the Target Shares). The profit and loss arrangement of the Target Shares during the transition period will be negotiated and arranged by the parties after the completion of the audit and valuation work related to the Transaction.

9. Arrangement for the accumulated undistributed profits

The accumulated undistributed profits of Hontron Holding before the completion of the Transaction shall be shared by the new shareholders upon the completion of the Transaction and the existing shareholders according to the shareholding proportion.

THE DECISION-MAKING PROCESS OF THE TRANSACTION

(I) Decision-making and approval procedures performed for the Transaction

As at the date of this announcement, the decision-making and approval procedures for the Transaction which have been performed are as follows:

1. The Transaction has been considered and approved at the first interim meeting in 2025 of the sixth session of the board of directors of Hontron Holding;
2. The Sellers of the Transaction have performed the required authorisations or approvals at this stage;
3. The controlling shareholder of Hontron Holding (as defined under the applicable rules of the SZSE) has agreed in principle to the Transaction.

(II) Procedures to be performed for the Transaction

The approvals or authorisations still required to be obtained for the Transaction include, but are not limited to:

1. After the completion of the audit and valuation work of Hongtuo Industrial (i.e. the target company of the Transaction), Hontron Holding will further convene a board meeting to consider and approve the relevant resolutions of the formal plan of the Transaction;
2. The relevant matters involved in the Transaction shall be considered and approved by the internal competent bodies of the Sellers;
3. The general meeting of Hontron Holding shall consider and approve the relevant resolutions for the Transaction (in accordance with the relevant rules of the SZSE, the Transaction shall be approved by more than two-thirds of the voting rights held by non-affiliated shareholders (as defined by the applicable rules of the SZSE) present at the meeting);
4. The Company shall handle the relevant approval/authorisation procedures in accordance with applicable laws and regulations (including the Listing Rules and other relevant rules of the Stock Exchange) (if necessary);
5. The Transaction shall be reviewed and approved by the SZSE and its registration with the CSRC shall be approved;
6. Other approvals or authorisations which may be relevant as required by relevant laws and regulations.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction is conducive to enhancing the asset securitisation level and market influence of the Group, achieving asset integration to improve management efficiency and business performance, and promoting the long-term development of the Group. Meanwhile, the Transaction is conducive to (including but not limited to) enhancing the asset quality of Hontron Holding and significantly improving its financial position and profitability, and it also facilitates the establishment of Hontron Holding as a leading listed company in the aluminum industry, enhances its overall value, and achieves the maximisation of the interests of its shareholders.

GENERAL INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the manufacture and sales of aluminum products.

Weiqiao Aluminum & Power is a non-wholly owned subsidiary of the Company with the Company indirectly holding approximately 98.56% of its equity interest.

Hongtuo Industrial is a non-wholly owned subsidiary of the Company, in which the Company indirectly holds approximately 93.92% equity interest (through Weiqiao Aluminum & Power), while Weiqiao Aluminum & Power directly holds approximately 95.295% of its equity interest. Hongtuo Industrial is principally engaged in the research and development, production and sales of aluminum alloy products, alumina products and aluminum fabrication products, and it currently owns the production line of the Group in Mainland China for all of the aluminum alloy products, alumina products, and part of the aluminum fabrication products. Upon completion of the Transaction, Hongtuo Industrial will continue to be an indirectly controlled subsidiary of the Company (through Hontron Holding).

Hontron Holding (a company listed on the SZSE, stock code: 002379.SZ) is a non-wholly owned subsidiary indirectly held as to approximately 22.65% of its shares (through Shandong Hongqiao) by the Company, and is principally engaged in the development, production and sales of high-precision aluminum sheet, strip, and foil products.

Jiahui Investment, Junyue Investment and Jinan Hongtai are investment funds with Beijing Shangao Juntai Private Equity Fund Management Co., Ltd.* (北京山高君泰私募基金管理有限責任公司) (“**Shangao Juntai**”) as the managing partner. Shangao Juntai is a state-owned capital holding management company jointly established by Shandong Tonghui Capital Investment Group Co., Ltd.* (山東通匯資本投資集團有限公司), Shandong Finance Development Co., Ltd.* (山東省財金發展有限公司) and Qingkong (Tsinghua Holdings) SinoKing Capital Management (Beijing) Co., Ltd* (清控金信資本管理(北京)有限公司).

Orient Asset Management is a central state-owned financial enterprise jointly established by the Ministry of Finance of the PRC and the National Council for Social Security Fund of the PRC* (全國社保基金理事會) upon approval from the State Council of the PRC. Orient Asset Management, formerly known as China Orient Asset Management Company* (中國東方資產管理公司), was established in October 1999 and was converted into a joint-stock limited company in September 2016.

CITIC Financial Asset's principal business includes distressed asset management business, financial services business, asset management and investment business.

Juxin Tianang is an equity investment partnership with CITIC Trust PE Co., Ltd* (中信聚信(北京)資本管理有限公司), (“**CITIC Trust PE**”) as the managing partner. CITIC Trust PE was established in 2012 and is one of the first batch of equity investment pilot institutions in the trust industry approved by the China Banking Regulatory Commission, providing comprehensive financial solutions such as asset management, financial advisory and investment and financing consultation services.

Ningbo Xinlv is invested and established by CITIC Industrial Investment Group Corp., Ltd. (中信興業投資集團有限公司) (“**CITIC Industrial Investment**”) as the entity for its investment in Hongtuo Industrial. CITIC Industrial Investment is indirectly and wholly owned by CITIC Limited (a company listed on the Stock Exchange, stock code: 0267). CITIC Industrial Investment is a capital operation platform managing businesses such as healthcare, logistics, infrastructure agriculture and advanced manufacturing.

Tiancheng Xincheng is an investment fund with Jiuyue Private Equity Fund Management (Beijing) Co., Ltd.* (玖鉞私募股權基金管理(北京)有限公司) (“**Jiuyue Private Equity Fund Management**”) as the managing partner. Jiuyue Private Equity Fund Management focuses on investments in industries such as high-end manufacturing, healthcare and new materials.

LISTING RULES IMPLICATIONS

The Company will comply with the relevant requirements of the Listing Rules according to the subsequent development of the Transaction (if necessary).

GENERAL

Hontron Holding has published the proposal regarding the Transaction on the website of the SZSE (www.szse.cn/index/index.html) in accordance with the applicable rules of the SZSE. For further details of the Transaction, please refer to the proposal disclosed on the website (<http://www.szse.cn/disclosure/listed/bulletinDetail/index.html?7295c862-b846-47c8-9aec-387235f0e30f>).

As at the date of this announcement, the relevant details of the Transaction (including but not limited to the consideration of the Transaction and the specific status of the share issuance of Hontron Holding) are pending further determination, and it is uncertain whether the Transaction will obtain the approval, authorisation or consent of the relevant regulatory authorities. There can be no assurance that the Transaction will proceed or when it will proceed. The Company will make further announcements on the progress of the Transaction as and when appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Board”	the board of directors of the Company
“CITIC Financial Asset”	China CITIC Financial Asset Management Co., Ltd. (中國中信金融資產管理股份有限公司), formerly known as China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), which was incorporated in the PRC on 1 November 1999, converted into a joint stock limited company on 28 September 2012, listed on the main board of the Stock Exchange (stock code: 2799) on 30 October 2015, and formally changed its name in January 2024 to China CITIC Financial Asset Management Co., Ltd.
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“CSRC”	the China Securities Regulatory Commission
“Group”	the Company and its subsidiaries
“Hongtuo Industrial”	Shandong Hongtuo Industrial Company Limited* (山東宏拓實業有限公司), a company incorporated in the PRC with limited liability on 17 November 2016 and an indirect non-wholly owned subsidiary of the Company
“Hontron Holding”	Shandong Hontron Aluminum Industry Holding Company Limited (山東宏創鋁業控股股份有限公司), a company listed on the SZSE (stock code: 002379.SZ) and an indirect non-wholly owned subsidiary of the Company
“Jiahui Investment”	Jinan Jiahui Investment Partnership (Limited Partnership)* (濟南嘉匯投資合夥企業(有限合夥)), a limited partnership established in the PRC on 11 December 2023
“Jinan Hongtai”	Jinan Hongtai Investment Partnership (Limited Partnership)* (濟南宏泰投資合夥企業(有限合夥)), a limited partnership established in the PRC on 20 December 2023
“Junyue Investment”	Jinan Junyue Investment Partnership (Limited Partnership)* (濟南君岳投資合夥企業(有限合夥)), a limited partnership established in the PRC on 29 November 2023

“Juxin Tianang”	Tianjin Juxin Tianang Equity Investment Partnership (Limited Partnership)* (天津聚信天昂股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on 28 February 2023
“Listing Rules“	the Rules Governing the Listing of Securities on the Stock Exchange
“Ningbo Xinlv”	Ningbo Xinlv Enterprise Management Partnership (Limited Partnership)* (寧波信鋁企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on 21 December 2023
“Orient Asset Management”	China Orient Asset Management Co., Ltd. (中國東方資產管理股份有限公司), which was incorporated in the PRC on 27 October 1999
“PRC”	the People’s Republic of China
“Restructuring Report”	the restructuring report prepared for the Transaction after the completion of audit, valuation and other related work in respect of the Transaction
“Sellers”	the nine existing shareholders of Hongtuo Industrial, including Weiqiao Aluminum & Power, Jiahui Investment, Orient Asset Management, CITIC Financial Asset, Juxin Tianang, Ningbo Xinlv, Jinan Hongtai, Junyue Investment and Tiancheng Xincheng
“Shandong Hongqiao”	Shandong Hongqiao New Material Co., Ltd.* (山東宏橋新型材料有限公司), a company incorporated in the PRC with limited liability on 27 July 1994 and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZSE”	the Shenzhen Stock Exchange
“Target Shares”	100% equity interest in Hongtuo Industrial
“Tiancheng Xincheng”	Tiancheng Xincheng Phase I (Wenzhou) Venture Capital Partnership (Limited Partnership)* (天鋅鋅一期(溫州)創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on 24 August 2023

“Transaction”	the acquisition by Hontron Holding of the 100% equity interest in Hongtuo Industrial held by the Sellers by way of issuance of shares
“Weiqiao Aluminum & Power”	Shandong Weiqiao Aluminum and Power Co., Ltd.* (山東魏橋鋁電有限公司), a company incorporated in the PRC with limited liability on 25 December 2002 and an indirect non-wholly owned subsidiary of the Company

* *The Chinese names of the PRC entities have been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translation, the Chinese version shall prevail.*

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

Shandong Province, the PRC
6 January 2025

As at the date of this announcement, the Board comprises twelve directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian and Ms. Wong Yuting as executive directors, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Tian Mingming (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as non-executive directors, and Mr. Wen Xianjun, Mr. Han Benwen, Mr. Dong Xinyi and Ms. Fu Yulin as independent non-executive directors.