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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION AND RESUMPTION OF TRADING

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 16 May 2016, Shandong Hongqiao entered into the MOU with Mr. Yu in relation to the proposed acquisition of 261,096,605 shares (or any other number of shares stated in the Definitive Agreement) of the Target Company, representing approximately 28.18% equity interest in the Target Company.

The Proposed Acquisition contemplated under the MOU is subject to the entering into of the Definitive Agreement by the Parties and the relevant terms and conditions have not yet been finalized. The Proposed Acquisition is also subject to the satisfaction of all conditions precedent and approvals from relevant authorities. Therefore the Proposed Acquisition may or may not materialize. Further announcement(s) in relation to the Proposed 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.

At the request of the Company, trading in the shares of the Company has been suspended with effect from 2:17 p.m. on 17 May 2016, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in shares of the Company with effect from 9:00 a.m. on 18 May 2016.

INTRODUCTION

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 16 May 2016, Shandong Hongqiao entered into the MOU with Mr. Yu Rongqiang (于榮強先生) (“**Mr. Yu**”), a controlling shareholder of the Target Company, in relation to the proposed acquisition of 261,096,605 shares (or precision other number of shares stated in the Definitive Agreement) of the Target Company, representing approximately 28.18% equity interest in the Target Company.

Pursuant to the MOU, Mr. Yu has expressed his intention to sell and Shandong Hongqiao has expressed its intention to acquire 261,096,605 shares (or any other number of shares stated in the Definitive Agreement) of the Target Company, representing approximately 28.18% equity interest in the Target Company. After the completion of the Proposed Acquisition, the Target Company will be held as to approximately 28.18% (or any other percentage of equity interest stated in the Definitive Agreement) by Shandong Hongqiao.

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 its connected persons (as defined under the Listing Rules).

PRINCIPAL TERMS OF THE MOU

Date: 16 May 2016

Parties:

Seller: Mr. Yu; and

Buyer: Shandong Hongqiao

Consideration

The consideration of the Proposed Acquisition shall be determined on the basis of the 90% closing price of the Target Company in the secondary market on the last trading day before the date of the execution of the Definitive Agreement and in any events shall be not more than RMB900,000,000, and the final number of shares to be acquired shall be agreed by the Parties and stipulated in the Definitive Agreement. Such consideration shall be paid in full at the closing of the Proposed Acquisition.

Conditions Precedent

The Proposed Acquisition is conditional upon the satisfaction of the following conditions:

- (1) Shandong Hongqiao conducts legal and financial due diligence on the Target Company and no matters materially obstructing the Proposed Acquisition have been found;
- (2) issuance of a standard and unqualified auditor's report on the Proposed Acquisition;
- (3) release of any pledge or other encumbrance on the shares subjecting to the Proposed Acquisition;
- (4) the Proposed Acquisition has been approved by the Department of Commerce of Shandong Province (山東省商務廳); and
- (5) 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.

Trading Suspension and Deposit

It was agreed that the Target Company shall carry out trading suspension no later than the next day after the execution of the MOU. Pursuant to the MOU, Shandong Hongqiao shall pay the Deposit in the amount of RMB500,000,000 to an account co-managed by the Parties by the date of such trading suspension of the Target Company. The Deposit shall be retained as partial payment of the consideration to be paid by Shandong Hongqiao for the Proposed Acquisition.

If the aforementioned conditions precedent cannot be satisfied, the Deposit shall be refunded to Shandong Hongqiao. If the aforementioned conditions precedent is satisfied but Shandong Hongqiao declines to conduct the Proposed Acquisition, the Deposit will not be refunded and will be owned by Mr. Yu. If the aforementioned conditions precedent is satisfied but Mr. Yu declines to conduct the Proposed Acquisition, Mr. Yu shall refund double Deposit to Shandong Hongqiao.

GENERAL INFORMATION ON THE TARGET COMPANY

The Target Company 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 precision aluminum plate and foil manufacture business in the PRC.

According to the 2015 annual report of the Target Company, its 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 PROPOSED ACQUISITION

The Group is principally engaged in the manufacturing and sales of aluminum products. The Proposed 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 Proposed 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 Proposed Acquisition contemplated under the MOU is subject to the entering into of the Definitive Agreement by the Parties and the relevant terms and conditions have not yet been finalized. The Proposed Acquisition is also subject to the satisfaction of all conditions precedent and approval from relevant authorities. Therefore the Proposed Acquisition may or may not materialize. Further announcement(s) in relation to the Proposed 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been suspended with effect from 2:17 p.m. on 17 May 2016, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in shares of the Company with effect from 9:00 a.m. on 18 May 2016.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Company
“Company”	China Hongqiao Group Limited, a company incorporated on 9 February 2010 as an exempted company with limited liability under the Laws of the Cayman Islands, the shares of which are listed on the Stock Exchange (Stock Code: 1378)
“Definitive Agreement”	a definitive agreement to be entered into between the Parties for the Proposed Acquisition, which shall be executed no later than 15 July 2016, or any extended date as may be agreed by the Parties. In the event that the Parties do not reach a consensus in the extended date, the MOU shall be terminated and the Deposit shall be refund to Shandong Hongqiao
“Deposit”	the deposit to be paid by Shandong Hongqiao for the Proposed Acquisition on the terms and subject to the conditions set out in the MOU
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from time to time
“MOU”	the memorandum of understanding entered into between the Parties on 16 May 2016 in relation to the Proposed Acquisition
“Parties”	Mr. Yu and Shandong Hongqiao

“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	the proposed acquisition of 261,096,605 shares (or any other number of shares stated in the Definitive Agreement) of the Target Company, representing approximately 28.18% equity interest in the Target Company by Shandong Hongqiao from Mr. Yu
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Hongqiao”	Shandong Hongqiao New Material Co., Ltd.* (山東宏橋新型材料有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC with limited liability
“Shareholders”	the shareholders of the Company
“Target Company”	Loften Environmental Technology Co., Ltd (魯豐環保科技股份有限公司), a joint stock company incorporated in the PRC with limited liability whose shares are listed on Shenzhen Stock Exchange (stock code: 002379)
“%”	per cent.

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

Shandong, the PRC
17 May 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.