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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)**

**CONNECTED TRANSACTION**  
**ACQUISITION OF EQUITY INTERESTS**

**ACQUISITION OF 55% EQUITY INTERESTS IN THE TARGET COMPANY**

The Board would like to announce that on 22 January 2018, Shandong Hongqiao, as the Purchaser, and Weiqiao Chuangye, as the Vendor, entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell, 55% equity interests in the Target Company, at a total consideration of RMB284,406,598.33.

**IMPLICATIONS UNDER THE LISTING RULES**

As of the date of this announcement, Shandong Hongqiao is a wholly-owned subsidiary of the Company. The Target Company is a non-wholly-owned subsidiary of Weiqiao Chuangye, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and the controlling shareholder of the Company. Therefore, Weiqiao Chuangye is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Equity Transfer Agreement and the Acquisition contemplated thereunder constitute connected transactions of the Company.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 0.1% but is less than 5%, the Company is subject to the announcement and reporting requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **IMPLICATIONS ON THE FACTORING AGREEMENT**

Reference is made to the announcement of the Company dated 17 January 2017 regarding the Factoring Agreement entered into among Chongqing Weiqiao, Shandong Hongqiao and other parties, pursuant to which, Chongqing Weiqiao shall provide factoring services to other parties thereunder for a term ending on 31 December 2019. As at the date of the abovementioned announcement, Chongqing Weiqiao was a connected person of the Company pursuant to Chapter 14A of the Listing Rules and therefore the Factoring Agreement and transactions contemplated thereunder constituted continuing connected transactions of the Company. Upon completion of the Acquisition, Chongqing Weiqiao will become a non-wholly-owned subsidiary of the Company and the Factoring Agreement and transactions contemplated thereunder will cease to constitute continuing connected transactions of the Company under the Listing Rules.

### **A. INTRODUCTION**

The Board announces that on 22 January 2018, Shandong Hongqiao, as the Purchaser, and Weiqiao Chuangye, as the Vendor, entered into the Equity Transfer Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell, 55% equity interests in the Target Company, at a total consideration of RMB284,406,598.33.

### **B. EQUITY TRANSFER AGREEMENT**

The material terms of the Equity Transfer Agreement are set out as follows:

#### **Date**

22 January 2018

#### **Parties**

- (i) Weiqiao Chuangye, as the Vendor; and
- (ii) Shandong Hongqiao, as the Purchaser

#### **Subject matter of the Acquisition**

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase 55% equity interests in the Target Company. The Target Company will become a non-wholly-owned subsidiary of the Company upon completion of the Acquisition.

#### **Consideration and payment**

Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition amounts to RMB284,406,598.33, which shall be paid by the Purchaser to the Vendor in cash within fifteen (15) business days after the completion of the Acquisition. The consideration was determined after arm's length negotiations between the Purchaser and the Vendor based on 55% of the net book value of the Target Company as of 31 December 2017.

## Completion

Completion of the Acquisition will take place on the date of the completion of registration of the changes of equity interests of the Target Company with the administration of industry and commerce and the receipt of the updated business license.

## C. INFORMATION ON THE PARTIES

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

The Vendor is principally engaged in the processing and sale of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn, print cloth, retail and distribution of cloth.

The Target Company, Chongqing Weiqiao Financial Factoring Co., Ltd. (重慶魏橋金融保理有限公司), is a limited liability company established in the PRC and its business scope includes provision of financing by way of account receivables; the settlement, management and collection of accounts receivables; the management of sale sub-accounts (classification); guarantee of non-commercial bad debts related to the Target Company; customer credit investigation and assessment and relevant consulting services; refactoring business; the transfer and underwriting of financial accounts receivable assets (in accordance with the scope and term of the approval from the Chongqing Municipal Office of Finance). As of the date of this announcement, the Target Company is owned as to 55% by the Vendor.

Set out below is the financial information of the Target Company for the financial years ended 31 December 2016 and 31 December 2017, respectively:

	<b>For the financial year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2016</b>	<b>2017</b>
	<i>(RMB)</i>	<i>(RMB)</i>
	(Audited)	(Unaudited)
(Loss)/profit before taxation	(204,000)	20,327,000
(Loss)/profit after taxation	(204,000)	17,307,000

The unaudited total assets and unaudited net assets of the Target Company as at 31 December 2017 are approximately RMB712,752,000 and RMB517,103,000, respectively. Upon completion of the Acquisition, the Target Company will be accounted for as a subsidiary of the Company, and its financial results will be consolidated into the consolidated financial statements of the Group.

## D. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Board considers that the Acquisition represents a good opportunity for the Group to further expand its income source, broaden its business and enhance competitiveness of the whole industrial cluster by providing factoring services to its upstream suppliers and downstream customers. The Directors (including the independent non-executive Directors) consider that the Acquisition is in the ordinary and usual course of business of the Company and the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **E. IMPLICATIONS UNDER THE LISTING RULES**

As of the date of this announcement, Shandong Hongqiao is a wholly-owned subsidiary of the Company. The Target Company is a non-wholly-owned subsidiary of Weiqiao Chuangye, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and the controlling shareholder of the Company. Therefore, Weiqiao Chuangye is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Equity Transfer Agreement and the Acquisition contemplated thereunder constitute connected transactions of the Company.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 0.1% but is less than 5%, the Company is subject to the announcement and reporting requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo and Mr. Yang Congsen is interested in the Acquisition and had abstained from voting on the relevant resolution of the Board approving the same.

## **F. IMPLICATIONS ON THE FACTORING AGREEMENT**

Reference is made to the announcement of the Company dated 17 January 2017 regarding the Factoring Agreement entered into among Chongqing Weiqiao, Shandong Hongqiao and other parties, pursuant to which, Chongqing Weiqiao shall provide factoring services to other parties thereunder for a term ending on 31 December 2019. As at the date of the abovementioned announcement, Chongqing Weiqiao was a connected person of the Company pursuant to Chapter 14A of the Listing Rules and therefore the Factoring Agreement and transactions contemplated thereunder constituted continuing connected transactions of the Company. Upon completion of the Acquisition, Chongqing Weiqiao will become a non-wholly-owned subsidiary of the Company and the Factoring Agreement and transactions contemplated thereunder will cease to constitute continuing connected transactions of the Company under the Listing Rules.

## **G. DEFINITIONS**

In this announcement, the following expressions shall have the following respective meanings:

“Acquisition”	the acquisition of 55% equity interest in the Target Company by the Purchaser from the Vendor pursuant to the Equity Transfer Agreement
“Board”	the board of Directors

“Chongqing Weiqiao” or “Target Company”	Chongqing Weiqiao Financial Factoring Co., Ltd. (重慶魏橋金融保理有限公司), a limited liability company established in the PRC, which is owned as to 55% by the Vender as of the date of this announcement
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司), 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
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	an equity transfer agreement dated 22 January 2018 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Factoring Agreement”	the factoring agreement entered into between, Shandong Hongqiao and its twelve wholly-owned subsidiaries and Chongqing Weiqiao on 17 January 2017 for a term ending on 31 December 2019
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Hongqiao” or “Purchaser”	Shandong Hongqiao New Material Co., Ltd. (山東宏橋新型材料有限公司), a limited liability company established in the PRC, which is a wholly-owned subsidiary of the Company
“Shareholder(s)”	registered holder(s) of the Shares

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Weiqiao Chuangye” or  
“Vendor”

山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established in the PRC which is held as to 31.59% by Mr. Zhang Shiping, an executive Director and the controlling shareholder of the Company

“%”

per cent.

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

Shandong Province, the PRC  
22 January 2018

*As at the date of this announcement, the Board comprises eleven Directors, namely Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo and Ms. Zhang Ruilian as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei and Mr. Chen Yisong (Mr. Zhang Hao being his alternate) as non-executive Directors, and Mr. Chen Yinghai, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent nonexecutive Directors.*