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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 ASSETS TRANSFER AGREEMENT

ENTERING INTO THE ASSETS TRANSFER AGREEMENT

The Board announced that on 18 March 2020, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Assets Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Assets at a total consideration of RMB3,000,000,000.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Assets Transfer Agreement and the Disposal contemplated thereunder is more than 5% but less than 25%, the Disposal 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.

A. THE ASSETS TRANSFER AGREEMENT

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

1. Date

18 March 2020

2. Parties

- (i) 鄒平縣宏旭熱電有限公司 (Zouping County Hongxu Thermal Power Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, as the Vendor; and
- (ii) 山東國旭新能源有限公司 (Shandong Guoxu New Energy Co., Ltd.*), as the Purchaser.

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

3. Assets to be disposed of

Pursuant to the Assets Transfer Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Assets which comprise the power units with an aggregate installed capacity of 1,320 MW and other relevant ancillary assets as listed in the appendix to the Assets Transfer Agreement, together with all the rights and obligations attached or in relation thereto.

4. Consideration and payment

The Consideration for the Disposal was RMB3,000,000,000, which was agreed upon by the Vendor and the Purchaser after arm's length negotiation with reference to the book value of the Assets as at 31 December 2019.

Pursuant to the Assets Transfer Agreement, the Consideration shall be payable by the Purchaser to the Vendor within twelve (12) months after the date of the Assets Transfer Agreement in the following manner:

- (i) a sum of RMB600,000,000, being 20% of the Consideration, shall be paid by the Purchaser to the Vendor within ten (10) business days after the date of the Assets Transfer Agreement;
- (ii) a sum of RMB900,000,000, being 30% of the Consideration, shall be paid by the Purchaser to the Vendor before 30 September 2020; and
- (iii) a sum of RMB1,500,000,000, being 50% of the Consideration, shall be paid by the Purchaser to the Vendor before 28 February 2021.

5. Conditions Precedent

The Completion is conditional upon satisfaction of the following Conditions Precedent:

- (i) the Assets Transfer Agreement having been duly executed;
- (ii) all necessary consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Assets Transfer Agreement and the Disposal contemplated thereunder (including but not limited to the approval of relevant government authorities (if necessary) and the approval of the Board) having been duly obtained; and
- (iii) the Assets Transfer Agreement and the Disposal contemplated thereunder are not in violation of any applicable laws, regulations, the Listing Rules and other regulatory legal documents.

6. Completion

Within seven (7) business days after fulfillment of all the Conditions Precedent, the Vendor shall deliver the Assets and relevant documents to the Purchaser and assist the Purchaser to complete the registration of changes in relation to transfer of the Assets at relevant authorities (if necessary).

After Completion, the Purchaser shall enjoy all the rights and assume all the obligations in relation to the Assets and the Vendor will no longer enjoy any rights or assume any obligations in relation to the Assets.

B. FINANCIAL INFORMATION ON THE ASSETS

The book value of the Assets as at 31 December 2019 was approximately RMB3,242,000,000 based on the unaudited management accounts of the Vendor.

As the Assets are not accounted for separately, the net profits/(losses) before and after taxation attributable to such Assets for the two financial years ended 31 December 2018 and 2019 are not available.

C. REASONS FOR AND BENEFITS OF THE DISPOSAL

In recent years, the Chinese government has been striving to improve environmental protection. In light of the nation and Shandong Province implementing policies related to reducing coal consumption during the Thirteenth Five-year Plan, governments of different levels have been taking proactive measures to accomplish the objectives of environmental protection during the Thirteenth Five-year Plan. The Group also proactively responded to the national environmental protection policies by developing green energy and establishing new manufacturing bases relying on the local hydroelectric resources in Yunnan Province. To further implement the principle of “saving the big before the small” proposed by the government in uniformly allocating the coal consumption quota, the Vendor transferred a number of its power units to the Purchaser in order to facilitate the completion of the government’s relevant coal reduction tasks. The Group believes that the demand for thermal power generation will further decrease following the development of the Group's aluminum production base in Yunnan, and under the premise of ensuring stable production and operation, the disposal of relatively outdated power generation capacity will further improve the operational efficiency of thermal power and increase the proportion of green energy, thus further enhancing the Group’s competitiveness.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Assets Transfer Agreement are on normal commercial terms and fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

D. FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

For illustrative purpose, based on (i) the book value of the Assets as at 31 December 2019 in the amount of approximately RMB3,242,000,000 as shown in the unaudited management accounts of the Vendor; and (ii) the Consideration of RMB3,000,000,000, it is estimated that the Group will record a loss of approximately RMB242,000,000 from the Disposal. The net proceeds from the Disposal will be used as the Group's general working capital. Shareholders should note that the actual amount of the loss from the Disposal to be recognised in the consolidated financial statements of the Group depends on the value of the Assets as at the date of Completion and is subject to final audit to be performed by the Company's auditors and therefore may be different from the amount as mentioned above.

E. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Assets Transfer Agreement and the Disposal contemplated thereunder is more than 5% but less than 25%, the Disposal 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.

F. GENERAL INFORMATION

The Group is principally engaged in the manufacture and sale of aluminum products and the Vendor is principally engaged in the production of heat and power.

The Purchaser is principally engaged in the production and sales of heat and power.

G. DEFINITIONS

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

“Assets”	the assets to be disposed by the Vendor under the Assets Transfer Agreement
“Assets Transfer Agreement”	the assets transfer agreement dated 18 March 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of directors of the Company
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司)
“Completion”	the completion of the Disposal
“Conditions Precedent”	the conditions precedent of the Completion

“Consideration”	the consideration for the Disposal in the amount of RMB3,000,000,000 pursuant to the Assets Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Assets by the Vendor pursuant to the Assets Transfer Agreement
“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
“Purchaser”	山東國旭新能源有限公司 (Shandong Guoxu New Energy Co., Ltd.*), a limited liability company established in the PRC on 22 April 2016
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	鄒平縣宏旭熱電有限公司 (Zouping County Hongxu Thermal Power Co., Ltd.*), a limited liability company established in the PRC on 21 April 2016 and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Shandong, the PRC
18 March 2020

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

** For identification purposes only*