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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 22 December 2014, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the 100% equity interest in the Target Company, at a consideration of RMB1,896,279,800.

After Completion, the Target Company will be 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 (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.

WARNING

Shareholders and potential investors of the Company should be aware that the Completion is subject to the satisfaction of various conditions on or before the Completion Date and therefore the Acquisition may or may not take place. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

INTRODUCTION

On 22 December 2014, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement. pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the 100% equity interest in the Target Company, at a consideration of RMB1,896,279,800.

The principal terms of the Agreement are set out below:

THE AGREEMENT

Date

22 December 2014

Parties

- (a) the Purchaser; and
- (b) the Vendor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its 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 conditionally agreed to purchase and the Vendor has conditionally 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 aggregate consideration for Acquisition is RMB1,896,279,800, which has been agreed upon by the Purchaser and the Vendor after arm's length negotiation with reference to the valuation report on the 100% equity interests of the Target Company and the audited net assets of the Target Company as at 30 September 2014.

According to the Agreement, the consideration shall be payable to the Vendor in the following manner:-

- (i) in cash within 30 business days after the Completion Date, in a lump sum or by installments; or
- (ii) in cash within five business days after the date of Delivery, in a lump sum or by installments, when failing the Delivery demand as set out in the sub-section (b) oin the section headed "Other material terms" below.

Conditions precedent

The Completion is conditional upon satisfaction of the following conditions precedent, among others:-

- (i) the Agreement having been duly exercised;
- (ii) the Agreement and the Acquisition having been duly approved by the board of directors of the Vendor; and
- (iii) the Agreement and the Acquisition having been duly approved by the boards of directors of the Purchaser and the Board (if necessary).

The Completion

The Completion shall take place on the same day as the fulfillment of the last of the conditions above. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser and become an indirect wholly-owned subsidiary of the Company.

Other material terms

- (a) Within 30 business days after the date of the Agreement, the Purchaser shall complete the formalities in relation to change of business registration at Administration of Industry and Commerce in the registered address of the Target Company, including without limitation to, the change of board members of the Target Company (if necessary), with which the Vendor shall cooperate;
- (b) The Delivery shall be made within 10 business days after the Completion Date, upon which a delivery list shall be signed by authorized representatives of the Purchaser and the Vendor.

INFORMATION OF THE COMPANY

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

INFORMATION OF THE VENDOR

The Vendor is a limited liability company established in the PRC on 30 June 2011, which is mainly engaged in the trading of bauxite, comprehensive utilization of fly ash, manufacturing and sales of alumina powder and new high-precision aluminum plate, foil materials.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 2 November 2011, which is wholly owned by the Vendor and is mainly engaged in trading of bauxite, aluminum ingots, plates, foils, strips, and the production and sales of aluminum products. The Target Company has a designed annual production capacity for aluminum products of 660,000 tons and the power generators with the total designed installed capacity of 1,860 MW.

Financial information of the Target Company

Set out below is the audited net profits before and after taxation of the Target Company for the two years ended 31 December 2012 and 2013, respectively, and for the nine months ended 30 September 2014 prepared in accordance with the accounting principles in the PRC:

	For the year ended 31 December		For the nine months ended
	2012	2013	30 September 2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation	121,776	418,969	625,490
Net profit after taxation	91,354	314,226	469,117

The appraisal value of the assets of the Target Company as set out in the appraisal report of all the shareholdings of the Target Company was RMB1,896,279,800.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sales of aluminum products. The Acquisition is expected to further enhance the scale effect achieved by the Group, further consolidate its leading position among the cluster in local aluminum industry, and avoid any potential investment in construction of new production base for aluminum products, and will be a good investment opportunity for the Group to expand its business in the aluminum products as well and increase the proportion of electricity produced in-house. The Group expects that the Acquisition will bring positive impact to the Group's financial positions by enlarging Group's the asset size and increase the production capacity of aluminum products as well as the proportion of electricity produced in-house.

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 (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 agreement dated 22 December 2014 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 (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
“Completion”	the completion of the Agreement in accordance with the terms thereof
“Completion Date”	completion of the Acquisition in accordance with terms and conditions of the Agreement
“Delivery”	the delivery of assets, financial materials and information, legal materials and information (including, without limitation to, contracts, company seal and business license) of the Target Company from the Vendor to the Purchaser as set out and agreed upon in the Agreement
“Director(s)”	director(s) of the Company
“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 of Hong Kong Limited
“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”	濱州市政通新型鋁材有限公司(Binzhou Municipal Zhengtong New Aluminum Profiles Co., Ltd.*), a limited liability company established in the PRC on 20 May 2008 and is an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	濱州市濱北新材料有限公司 (Binzhou Municipal Binbei New Material Co., Ltd.*), a limited liability company established in the PRC on 2 November 2011
“Vendor”	山東濱北新材料有限公司 (Shandong Binbei New Material Co., Ltd.*), a limited liability company established in the PRC on 30 June 2011
“%”	per cent

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

Shandong, the PRC
22 December 2014

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*