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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)

MAJOR TRANSACTION

(1) SUBSCRIPTION OF SHARES OF LOFTEN; AND (2) ACQUISITION OF THE ENTIRE EQUITY INTEREST IN INNOVATIVE METAL

ACQUISITIONS

Reference is made to the announcement dated 15 August 2016 in relation to the Share Transfer Agreement, pursuant to which Shandong Hongqiao, a wholly-owned subsidiary of the Company, agreed to buy 261,096,605 shares in Loften, representing 28.18% of its total issued shares, from Mr. Yu, the then controlling shareholder of Loften.

The Board announces that on 5 December 2016, Shandong Hongtuo, a wholly-owned subsidiary of the Company, and Loften entered into the Share Subscription Agreement, pursuant to which Shandong Hongtuo has conditionally agreed to subscribe for no more than 1,605,136,436 non-public A shares of Loften, representing approximately 63.41% of its enlarged issued share capital.

On the same date, Loften and Binzhou Hengwang entered into the Equity Transfer Agreement, pursuant to which Loften has conditionally agreed to acquire the entire equity interest in Innovative Metal from Binzhou Hengwang. Completion of Equity Transfer Agreement will be subject to the completion of the subscription of non-public shares of Loften, including the settlement of the consideration, under the Share Subscription Agreement.

Upon completion of the Agreements, the Company will indirectly hold approximately 73.72% of the total enlarged share capital of Loften and Loften will in turn hold 100% equity interest in Innovative Metal. Accordingly, both of Loften and Innovative Metal will become subsidiaries of the Company and financials of which will be consolidated into those of the Company.

LISTING RULES IMPLICATIONS

Since (1) the Share Transfer Agreement and the Share Subscription Agreement served the same purpose of the Company taking control of Loften, and (2) it is intended that the consideration payable by Loften to acquire Innovative Metal pursuant to the Equity Transfer Agreement would come from the proceeds payable to Loften by the Company under the Share Subscription Agreement, the transactions under the Agreements shall be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratio in respect of the Acquisitions under the Agreements is expected to be more than 25% but less than 75%, the Acquisitions under the Agreements, on an aggregate basis, is expected to constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The Company will convene the EGM to approve the Acquisitions under the Agreements. As the Company plans to convene the EGM after the valuation of Innovative Metal is completed and the final consideration payable under the Equity Transfer Agreement can be determined, a circular containing, among other things, further details of Agreements and a notice convening the EGM, is currently expected to be despatched to the Shareholders on or before 26 December 2016.

The Company hereby reminds Shareholders and potential investors that this announcement is made according to the requirements of the Listing Rules. As at the date of this announcement, the Company understood that Loften is still communicating with the relevant regulatory authorities in respect of the transaction proposal for the Acquisitions, and has not yet obtained the final definitive opinion of the relevant regulatory authorities. Meanwhile, trading of the shares of Loften has been suspended. Therefore, there exists the possibility that the Agreements may be amended as required or terminated. In addition, the Acquisitions are subject to the satisfaction of the relevant conditions precedent as set out in the Agreements, including approval from relevant regulatory authorities. Therefore the Acquisitions may or may not proceed. Further announcement(s) in relation to the Acquisitions will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE AGREEMENTS

Share Transfer Agreement

Reference is made to the announcement dated 15 August 2016 in relation to the Share Transfer Agreement, pursuant to which Shandong Hongqiao, a wholly-owned subsidiary of the Company agreed to buy 261,096,605 shares in Loften, representing 28.18% of its total shares, from Mr. Yu.

The completion of the Share Transfer Agreement is subject to certain condition precedents. As at the date of this announcement, the Share Transfer Agreement has not been completed.

Share Subscription Agreement

Date: 5 December 2016

Parties: Shandong Hongtuo, and Loften

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Loften and its controlling shareholders are third parties independent of the Company and connected persons of the Company.

Assets to be acquired: Pursuant to the agreement, Loften has conditionally agreed to issue no more than 1,605,136,436 non-public A shares, representing approximately 63.41% of the enlarged issued share capital of Loften, to Shandong Hongtuo.

Consideration: The consideration was determined as 90% of the average share price over 20 trading days before the execution of the Share Subscription Agreement, being approximately RMB6.23 per share.

Payment of consideration: Upon satisfaction of the conditions precedent, Shandong Hongtuo shall make payments in cash in accordance with instructions by Loften and the lead underwriter, and transfer the consideration into an account set up by the lead underwriter. Upon confirmation of the transfer and deduction of fees and expenses, the lead underwriter shall transfer the remaining consideration to Loften.

Conditions precedent: Completion of the Share Subscription Agreement is conditional upon, among other things, the following:

- (a) Loften's controlling shareholder as at the date of this announcement, Mr. Yu, transferring his 261,096,605 shares in Loften to Shandong Hongqiao pursuant to the Share Transfer Agreement;
- (b) Loften obtaining approval from its directors and shareholders for the non-public issue of shares;
- (c) the Company obtaining approval from the Shareholders at the EGM for the subscription of the non-public shares of Loften;
- (d) Loften and Shandong Hongtuo obtaining CSRC's approval for the issue and subscription of the non-publicly shares in Loften; and
- (e) the Share Subscription Agreement having been validly executed by both parties.

Equity Transfer Agreement

- Date: 5 December 2016
- Parties: Binzhou Hengwang, as the seller,

Loften, as the buyer, and

Four independent individuals, who are the beneficial owners of Binzhou Hengwang
- To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the seller and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.
- Subject: Pursuant to the agreement, Loften has conditionally agreed to acquire the entire equity interest of Innovative Metal.
- Consideration: The estimated consideration under the Equity Transfer Agreement is approximately RMB7,016,000,000, based on preliminary assessment on the equity interest attributable to the shareholders, subject to independent valuation to be conducted on Innovative Metal. As at the date of this announcement, the independent valuation report has not yet been finalized and parties will enter into a supplemental agreement to confirm the final consideration according to such valuation. The Company will issue further announcement(s) when and as appropriate according to the Listing Rules.
- Payment of consideration: Upon the completion of the Share Subscription Agreement, Loften will make payment of the consideration to the seller in a lump sum or by instalments to the account designated by the seller in cash.
- Conditions precedent: Completion of the Equity Transfer Agreement is conditional upon, among other things, the following:
- (a) the transaction under the Share Subscription Agreement obtaining approval from Loften's board of directors and shareholders;
 - (b) the transaction under the Share Subscription Agreement obtaining approval from CSRC; and
 - (c) completion of the subscription of non-public shares of Loften, including the settlement of the consideration, under the Share Subscription Agreement.

EFFECTS OF THE ACQUISITIONS

Upon completion of the Agreements, the Company will indirectly hold approximately 73.72% of the total enlarged issued share capital in Loften and Loften will in turn hold 100% equity interest in Innovative Metal. Accordingly, both of Loften and Innovative Metal will become subsidiaries of the Company and financials of which will be consolidated into those of the Company.

GENERAL INFORMATION ON TARGET COMPANIES

Loften

Loften 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 aluminum plate and strip manufacture business in the PRC.

The following table sets for the preliminary financial information of Loften for the years ended 31 December 2014 and 2015:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit (Loss) before taxation (audited)	(405,341.16)	(99,145.19)
Profit (Loss) after taxation (audited)	(346,618.33)	(118,385.52)

The net assets value of Loften as of 30 September 2016 was approximately RMB1,201,025,920.

Innovative Metal

Innovative Metal is principally engaged in aluminum alloy processing business. As at the date of this announcement, Innovative Metal is wholly owned by Binzhou Hengwang.

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit (Loss) before taxation (unaudited)	162,315.32	433,130.97
Profit (Loss) after taxation (unaudited)	120,295.59	323,866.33

The net assets value of Innovative Metal as of 30 September 2016 was approximately RMB1,385,217,820.

GENERAL INFORMATION ON BINZHOU HENGWANG

Binzhou Hengwang is principally engaged in provision of equity management consulting service. As at the date of this announcement, Binzhou Hengwang is owned by Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in the manufacturing and sales of aluminum products. The Acquisitions are 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 Acquisitions 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.

Considering the above, the Directors (including independent non-executive Directors) are of the view that the terms of the Agreements have been entered into on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole.

No Director has a material interest in the Agreements and none of the Directors has abstained from voting on the relevant Board resolutions approving the Agreements.

LISTING RULES IMPLICAITONS

Since (1) the Share Transfer Agreement and the Share Subscription Agreement served the same purpose of the Company taking control of Loften, and (2) it is intended that the consideration payable by Loften to acquire Innovative Metal pursuant to the Equity Transfer Agreement would come from the proceeds payable to Loften by the Company under the Share Subscription Agreement, the transactions under the Agreements shall be aggregated pursuant to Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratio in respect of the Acquisition under the Agreements is expected to be more than 25% but less than 75%, the Acquisitions under the Agreements, on an aggregate basis, is expected to constitute a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The Company will hold the EGM to approve the Acquisitions under the Agreements. As the Company plans to convene the EGM after the valuation of Innovative Metal is completed and the final consideration payable under the Equity Transfer Agreement can be determined, a circular containing, among other things, further details of Agreements and a notice convening the EGM, is currently expected to be despatched to the Shareholders on or before 26 December 2016.

The Company hereby reminds Shareholders and potential investors that this announcement is made according to the requirements of the Listing Rules. As at the date of this announcement, the Company understood that Loften is still communicating with the relevant regulatory authorities in respect of the transaction proposal for the Acquisitions, and has not yet obtained the final definitive opinion of the relevant regulatory authorities. Meanwhile, trading of the shares of Loften has been suspended. Therefore, there exists the possibility that the Agreements may be amended as required or terminated. In addition, the Acquisitions are subject to the satisfaction of the relevant conditions precedent as set out in the Agreements, including approval from relevant regulatory authorities. Therefore the Acquisitions may or may not proceed. Further announcement(s) in relation to the Acquisitions will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Acquisitions”	the acquisition of Loften and Innovative Metal as contemplated under the Agreements
“Agreements”	together, the Share Transfer Agreement, the Share Subscription Agreement and the Equity Transfer Agreement
“Binzhou Hengwang”	濱州市亨旺股權管理企業(有限合夥)*(Binzhou Hengwang Shareholding Management Corporation (Limited Partnership))
“Board”	the board of directors of the Company
“Company”	China Hongqiao Group Limited, 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
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of Company to be convened to approve the transactions under the Agreements
“Equity Transfer Agreement”	an equity transfer agreement dated 5 December 2016 entered into among Binzhou Hengwang, Loften and the beneficial owners of Binzhou Hengwang
“Group”	the Company and its subsidiaries (as defined in the Listing Rules) from time to time

“Innovative Metal”	山東創新金屬科技有限公司* (Shandong Innovative Metal Technology Company Limited), a wholly-owned subsidiary of Binzhou Hengwang as at the date of this announcement, incorporated in the PRC on 5 November 2007
“Loften”	魯豐環保科技股份有限公司*(Loften Environmental Technology Co., Ltd.), a company incorporated in the PRC on 11 August 2000, with a registered capital of RMB926,400,000, and listed on the Shenzhen Stock Exchange on 31 March 2010
“Mr. Yu”	Mr. Yu Rongqiang (于榮強), the controlling shareholder of Loftan immediately prior to the completion of the Share Transfer Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Shandong Hongqiao”	山東宏橋新型材料有限公司*(Shandong Hongqiao New Material Co., Ltd.), a wholly-owned subsidiary of the Company, incorporated in the PRC on 27 July 1994
“Shandong Hongtuo”	山東宏拓實業有限公司*(Shandong Hongtuo Industrial Company Limited), a wholly-owned subsidiary of the Company, incorporated in the PRC on 17 November 2016
“Share Subscription Agreement”	a share subscription agreement dated 5 December 2016 entered into between Shandong Hongtuo and Loftan
“Share Transfer Agreement”	a share transfer agreement dated 14 August 2016 entered into between Mr. Yu and Shandong Hongqiao
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

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

Shandong, the People’s Republic of China
5 December 2016

As at the date of this announcement, the Board comprises eight directors of the Company, namely Mr. Zhang Shiping, Ms. Zheng Shuliang and Mr. Zhang Bo as executive directors of the Company, Mr. Yang Congsen and Mr. Zhang Jinglei as non-executive directors of the Company, and Mr. Chen Yinghai, Mr. Xing Jian and Mr. Han Benwen as independent non-executive directors of the Company.