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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 TRANSACTIONS ACQUISITIONS OF LAND USE RIGHTS

THE ACQUISITIONS

The Board hereby announces that on 28 December 2023, Hongxu Thermal & Power and Huimao New Material, the indirect subsidiaries of the Company, entered into the Land Use Right Transfer Agreements with Weiqiao Chuangye Group, respectively, pursuant to which Weiqiao Chuangye Group has agreed to transfer, and Hongxu Thermal & Power (in respect of Land Use Right Transfer Agreement I) and Huimao New Material (in respect of Land Use Right Transfer Agreement II) have agreed to acquire, the land use rights of the Target Lands for an aggregate consideration of approximately RMB239,671,000 (excluding tax) (equivalent to approximately HK\$263,780,000).

LISTING RULES IMPLICATIONS

Given that Weiqiao Chuangye Group is an associate of Mr. Zhang Bo (an executive Director and, together with his other family members, having equity interests in Weiqiao Chuangye Group), Weiqiao Chuangye Group is a connected person of the Company under the Listing Rules. The Acquisitions therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions (on an aggregated basis) exceeds 0.1% but is less than 5%, the Acquisitions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice and shareholders' approval requirements.

The Board hereby announces that on 28 December 2023, Hongxu Thermal & Power and Huimao New Material, the indirect subsidiaries of the Company, entered into the Land Use Right Transfer Agreements with Weiqiao Chuangye Group, respectively, pursuant to which Weiqiao Chuangye Group has agreed to transfer, and Hongxu Thermal & Power (in respect of Land Use Right Transfer Agreement I) and Huimao New Material (in respect of Land Use Right Transfer Agreement II) have agreed to acquire, the land use rights of the Target Lands for an aggregate consideration of approximately RMB239,671,000 (excluding tax) (equivalent to approximately HK\$263,780,000).

THE LAND USE RIGHT TRANSFER AGREEMENTS

The principal terms of each of the Land Use Right Transfer Agreements are substantially the same and are set out as follows:

Date

28 December 2023

Parties

- (1) Weiqiao Chuangye Group, as the transferor
- (2) Hongxu Thermal & Power (in respect of Land Use Right Transfer Agreement I) and Huimao New Material (in respect of Land Use Right Transfer Agreement II), as the transferees

Subject matter

Pursuant to Land Use Right Transfer Agreement I, Weiqiao Chuangye Group has agreed to transfer, and Hongxu Thermal & Power has agreed to acquire, the land use right of Target Land I in accordance with the terms of the Land Use Right Transfer Agreement I at the consideration of approximately RMB17,942,000 (excluding tax).

Pursuant to Land Use Right Transfer Agreement II, Weiqiao Chuangye Group has agreed to transfer, and Huimao New Material has agreed to acquire, the land use right of Target Land II and Target Land III in accordance with the terms of the Land Use Right Transfer Agreement II at the consideration of approximately RMB221,728,000 (excluding tax).

Further details of each of the Target Lands are set out in the section headed “Information on the Target Lands” below.

Consideration, pricing basis and payment terms

Pursuant to the Land Use Right Transfer Agreements, the total consideration payable by Hongxu Thermal & Power and Huimao New Material to Weiqiao Chuangye Group for the Acquisitions is approximately RMB239,671,000 (excluding tax) (equivalent to approximately HK\$263,780,000). The consideration under the respective Land Use Right Transfer Agreement shall be paid in full by Hongxu

Thermal & Power or Huimao New Material (as the case may be) to Weiqiao Chuangye Group within 30 days commencing on the date of the respective Land Use Right Transfer Agreement.

The consideration under each of the Land Use Right Transfer Agreements was determined after arm's length negotiations between Hongxu Thermal & Power and Huimao New Material as the transferees and Weiqiao Chuangye Group as the transferor, having taken into account the appraised value of the respective Target Land as at 30 November 2023 according to the respective Valuation Report prepared by an independent valuer. According to the Valuation Reports, each of the valuation of Target Land I, Target Land II and Target Land III was based on the benchmark land premium coefficient revision approach (基準地價係數修正法) and market comparison approach (市場比較法).

The Consideration is expected to be funded by the Group's internal resources.

Usage of lands

Target Land I, Target Land II and Target Land III are for industrial use.

Term of the land use rights

The land use right of Target Land I has been granted for a term of 50 years expiring on 18 March 2056. The land use right of each of Target Land II and Target Land III has been granted for a term of 50 years expiring on 14 May 2056.

Completion

On the date of full payment of the Consideration by Hongxu Thermal & Power and Huimao New Material, the parties shall complete the handover procedure of the Target Lands (including but not limited to documents such as the land use rights transfer contracts, payment vouchers of land use rights transfer fees and immovable property certificates in relation to the Target Lands).

The parties shall actively cooperate to attend to all the registration procedures for alternating the ownership to Hongxu Thermal & Power and Huimao New Material within 30 days from the date of the Land Use Right Transfer Agreements. The completion date shall be the date on which the aforesaid alteration registration is completed.

All rights, obligations and liabilities corresponding to the land use rights shall be transferred to Hongxu Thermal & Power and Huimao New Material, and Weiqiao Chuangye Group shall not enjoy any right or bear any obligation, liability or risk in respect of the land use rights (including but not limited to risks of tax penalty and potential dispute) from the date of completion.

INFORMATION ON THE TARGET LANDS

Target Land I is situated at Yuehe Third Road West, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, with a site area of approximately 56,686.2 square meters and bearing Zouping City immovable property certificate number 0012037 (鄒平市不動產權第0012037號). Based on the respective Valuation Report, the appraised value of Target Land I as at 30 November 2023 was approximately RMB17,942,000 (excluding tax).

Target Land II is situated at North of Huixian Fourth Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, with a site area of approximately 351,523.0 square meters and bearing Zouping City immovable property certificate number 0011379 (鄒平市不動產權第0011379號). Based on the respective Valuation Report, the appraised value of Target Land II as at 30 November 2023 was approximately RMB111,262,000 (excluding tax).

Target Land III is situated at North of Huixian Fourth Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, with a site area of approximately 349,029.0 square meters and bearing Zouping City immovable property certificate number 0011378 (鄒平市不動產權第0011378號). Based on the respective Valuation Report, the appraised value of Target Land III as at 30 November 2023 was approximately RMB110,472,000 (excluding tax).

Having made enquiries with Weiqiao Chuangye Group, the Company has been informed that the original acquisition costs for the land use rights of the Target Lands are approximately RMB85,189,000.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Board is of the view that the Acquisitions will lower the operation risk of Hongxu Thermal & Power and Huimao New Material as Hongxu Thermal & Power and Huimao New Material will not have to rely on leasing land parcels from third party land owners, which are subject to re-negotiation for the relevant leases from time to time, and will incur costs for relocation of the facilities of Hongxu Thermal & Power and Huimao New Material in the event that the relevant leases are not renewed.

The Directors (including the independent non-executive Directors) consider that the terms of the Land Use Right Transfer Agreements are fair and reasonable, and that the transactions contemplated under the Land Use Right Transfer Agreements are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION

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

Hongxu Thermal & Power is principally engaged in the production and sale of electricity and steam.

Huimao New Material is principally engaged in the production and sale of alumina.

Weiqiao Chuangye Group is principally engaged in the processing and sales of cotton, lint cotton, cotton seed oil, fabrics, cotton yarn and print cloth, retail and distribution of cloth and supply of industrial water. As at the date of this announcement, Weiqiao Chuangye Group is held as to approximately 31.20% by Shandong Weiqiao Investment Holdings Company Limited* (山東魏橋投資控股有限公司) (“**Weiqiao Investment**”), which is the single largest shareholder of Weiqiao Chuangye Group. The registered shareholders of Weiqiao Investment are 25 individuals, and adopt “one person, one vote”. Among these shareholders, the late Mr. Zhang Shiping holds approximately 25.86% equity interest (of which approximately 5.17% is held on behalf of others), Mr. Yang Guangchang holds approximately 5.17% equity interest (of which approximately 1.72% is held on behalf of others), and the remaining equity interest is held by the other 23 individual shareholders, of which their shareholding ranges from 1.38% to 3.45%. Approximately 48.65% equity interest of Weiqiao Chuangye Group is held by 12 senior management members of the Parent Group (approximately 18.81% by the late Mr. Zhang Shiping, 5.60% by Mr. Zhang Bo, 5.60% by Ms. Zhang Hongxia, 4.50% by Ms. Zhang Yanhong, 2.18% by Mr. Yang Congsen, 3.21% by Mr. Zhang Shixue, 3.95% by Mr. Wei Yingzhao, 1.13% by Mr. Qi Xingli, 1.73% by the late Mr. Zhang Shijun, 0.30% by Ms. Zhao Suwen, 1.13% by Mr. Liu Fenghai, and 0.52% by Mr. Wei Jiakun), and 20% equity interest of Weiqiao Chuangye Group is held by Binzhou Hanchuang Technological Development Partnership (Limited Partnership)* (濱州瀚創科技發展合夥企業(有限合夥)), which is held as to 99.975% by Shandong Weiqiao Chuangye Group Company Limited Union Committee* (山東魏橋創業集團有限公司工會委員會) (the “**Union**”). The Union serves as an incentive and shareholding platform for a certain number of core employees, holding such interests on behalf of those employees. None of such employees holds more than 1% equity interest in Weiqiao Chuangye Group.

LISTING RULES IMPLICATIONS

Given that Weiqiao Chuangye Group is an associate of Mr. Zhang Bo (an executive Director and, together with his other family members, having equity interests in Weiqiao Chuangye Group), Weiqiao Chuangye Group is a connected person of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the Acquisitions (on an aggregated basis) exceeds 0.1% but is less than 5%, the Acquisitions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from the circular, independent financial advice, and shareholders’ approval requirements.

Mr. Zhang Bo, Ms. Zheng Shuliang (mother of Mr. Zhang Bo), Mr. Yang Congsen (the brother-in-law of Mr. Zhang Bo) and Mr. Zhang Jinglei had abstained from voting on the relevant board resolution(s) approving the Land Use Right Transfer Agreements and the transactions contemplated thereunder as they and/or their associates concurrently have material interests in and/or serve as the directors of Weiqiao Chuangye Group.

DEFINITIONS

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

“Acquisitions”	the acquisitions of the land use rights of the Target Lands by Hongxu Thermal & Power and Huimao New Material from Weiqiao Chuangye Group pursuant to the Land Use Right Transfer Agreements
“Board”	the board of Directors
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration of approximately RMB 239,671,000 (excluding tax) for the Acquisitions pursuant to the Land Use Right Transfer Agreements
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hongxu Thermal & Power”	Zouping Hongxu Thermal & Power Co., Ltd.* (鄒平縣宏旭熱電有限公司), a limited liability company established in the PRC on 21 April 2016 and an indirect non-wholly owned subsidiary of the Company
“Huimao New Material”	Zouping Huimao New Material Co., Ltd.* (鄒平縣匯茂新材料科技有限公司), a limited liability company established in the PRC on 22 April 2016 and an indirect non-wholly owned subsidiary of the Company
“Land Use Right Transfer Agreement I”	the land use right transfer agreement entered into between Weiqiao Chuangye Group (as transferor) and Hongxu Thermal & Power (as transferee) on 28 December 2023 in respect of the acquisition of the land use right of Target Land I
“Land Use Right Transfer Agreement II”	the land use right transfer agreement entered into between Weiqiao Chuangye Group (as transferor) and Huimao New Material (as transferee) on 28 December 2023 in respect of the acquisition of the land use rights of Target Land II and Target Land III
“Land Use Right Transfer Agreements”	collectively, Land Use Right Transfer Agreement I and Land Use Right Transfer Agreement II, and each a “Land Use Right Transfer Agreement”

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Land I”	the land located at Yuehe Third Road West, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, with a site area of approximately 56,686.2 square meters and immovable property certificate number 0012037 (鄒平市不動產權第0012037號)
“Target Land II”	the land located at North of Huixian Fourth Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, with a site area of approximately 351,523.0 square meters and immovable property certificate number 0011379 (鄒平市不動產權第0011379號)
“Target Land III”	the land located at North of Huixian Fourth Road, Zouping Economic Development Zone, Zouping City, Shandong Province, the PRC, with a site area of approximately 349,029.0 square meters and immovable property certificate number 0011378 (鄒平市不動產權第0011378號)
“Target Lands”	collectively, Target Land I, Target Land II and Target Land III
“Valuation Reports”	collectively, the valuation reports on the Target Lands prepared by an independent valuer dated 26 December 2023 and each a “Valuation Report”
“Weiqiao Chuangye Group”	Shandong Weiqiao Chuangye Group Company Limited* (山東魏橋創業集團有限公司), a limited liability company established in the PRC on 14 April 1998
“%”	per cent

* *The Chinese name(s) of the PRC entities have been translated into English in this announcement for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.*

For the purpose of this announcement unless otherwise indicated, the exchange rate of HK\$1 = RMB 0.9086 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

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

Shandong Province, the PRC
28 December 2023

As at the date of this announcement, the Board comprises twelve Directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian and Ms. Wong Yuting as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Tu Yikai (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as non-executive Directors, and Mr. Wen Xianjun, Mr. Han Benwen, Mr. Dong Xinyi and Ms. Fu Yulin as independent non-executive Directors.