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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)

CONTINUING CONNECTED TRANSACTIONS
SUPPLY OF WATER

The Board announces that Zhanhua Huihong, the Company's indirectly wholly-owned subsidiary, and Jinsha Water Supply entered into the Production Water Supply Agreement on 29 June 2015 for a term ending on 31 December 2017, pursuant to which Jinsha Water Supply agreed to supply water to Zhanhua Huihong for production use.

Zhanhua Huihong is an indirectly wholly-owned subsidiary of the Company. Jinsha Water Supply is owned as to 42.00% by Weiqiao Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive director and controlling shareholder of the Company. Therefore, Jinsha Water Supply is deemed as a connected person under Rule 14A.13(3) of the Listing Rules. Accordingly, the transactions between Zhanhua Huihong and Jinsha Water Supply constitutes continuing connected transactions of the Company under Rule 14A.23 of the Listing Rules.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Continuing Connected Transactions are on an annual basis more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement set out under Chapter 14A of the Listing Rules.

The Board consider that the terms of the Production Water Supply Agreement and the Continuing Connected Transactions thereunder are fair and reasonable, are on normal commercial terms and in ordinary and usual course of business of the Group and are in the interests of the Group and the Shareholders as a whole.

A. CONTINUING CONNECTED TRANSACTIONS

1. Date

29 June 2015

2. Parties

(1) Zhanhua Huihong; and

(2) Jinsha Water Supply

3. Connected Person

Jinsha Water Supply

4. Transaction Nature

Zhanhua Huihong, the Company's indirectly wholly-owned subsidiary, and Jinsha Water Supply entered into the Production Water Supply Agreement on 29 June 2015 for a term ending on 31 December 2017, pursuant to which Jinsha Water Supply agreed to supply water to Zhanhua Huihong for production use.

5. Pricing Basis and Payment Terms

The pricing for the purchase of water from Jinsha Water Supply by Zhanhua Huihong for its production will be approximately RMB1.75 per ton (excluding the value-added tax of 3%), which was determined with reference to the price charged by Jinsha Water Supply to other independent third parties for the supply of water on normal commercial terms in its ordinary and usual course of business. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Production Water Supply Agreement.

Both of Zhanhua Huihong and Jinsha Water Supply agreed that the payment of the above price shall be made on a monthly basis. Jinsha Water Supply shall, on the last business day of each calendar month, prepare an account book for the amounts payable and such amount shall be settled in full by Zhanhua Huihong within the first twenty days of the following month.

6. Maximum Annual Transaction Amounts

The Directors expect that the annual aggregate amount (excluding the value-added tax of 3%) to be paid to Jinsha Water Supply in relation to the purchase of water for production use under the Production Water Supply Agreement for the six months ending 31 December 2015 and the two financial years ending 31 December 2016 and 31 December 2017 will be as follows:

For the six months ending 31 December 2015 <i>(RMB)</i>	Financial year ending 31 December 2016 <i>(RMB)</i>	Financial year ending 31 December 2017 <i>(RMB)</i>
15,000,000	84,000,000	148,000,000

The transaction value in respect of the purchase of water for production use by Zhanhua Huihong from Jinsha Water Supply for the six months ending 31 December 2015 and the two financial years ending 31 December 2016 and 31 December 2017, respectively, are determined with reference to the estimation of water to be used by the existing production capacity and the expected completion date for production facilities under construction of Zhanhua Huihong.

7. Reasons and Benefits for the Continuing Connected Transactions

In order to enhance the operating efficiency and competitiveness and meet the growing demand of water of the Group, Zhanhua Huihong, the Company's indirectly wholly-owned subsidiary, and Jinsha Water Supply entered the Production Water Supply Agreement after considering the following factors and reasons:

- (a) the close location of Jinsha Water Supply to Zhanhua Huihong makes it convenient and efficient for water supply; and
- (b) Jinsha Water Supply is able to provide stable water supply with flexible adjustment for the production needs of Zhanhua Huihong, which is favorable to the existing business development and the future expansion capacity of the Group.

B. LISTING RULES IMPLICATIONS

Zhanhua Huihong is an indirectly wholly-owned subsidiary of the Company. Jinsha Water Supply is owned as to 42.00% by Weiqiao Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive director and controlling shareholder of the Company. Therefore, Jinsha Water Supply is deemed as a connected person under Rule 14A.13(3) of the Listing Rules. Accordingly, the transactions between Zhanhua Huihong and Jinsha Water Supply constitutes continuing connected transactions of the Company under Rule 14A.23 of the Listing Rules.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Continuing Connected Transactions are on an annual basis more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement set out 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 Continuing Connected Transaction and had abstained from voting on the relevant resolution of the Board approving the same.

The Board consider that the terms of the Production Water Supply Agreement and the Continuing Connected Transactions thereunder are fair and reasonable, are on normal commercial terms and in ordinary and usual course of business of the Group and are in the interests of the Group and the Shareholders as a whole.

C. INFORMATION OF THE PARTIES TO THE AGREEMENT

Zhanhua Huihong's business scope includes the investment, construction and management of alumina and aluminium plate projects. Zhanhua Huihong has a project of comprehensive utilization of coal fly ash in producing alumina with expected designed annual production capacity of 2,000,000 tons and a power generators project with expected installed capacity of 1,560 MW.

Jinsha Water Supply's business scope includes the supply of production water, the production water treatment, the investment and construction of water supply projects, the installation and maintenance of water pipes as well as the sale of water supply fittings and instruments.

D. DEFINITIONS

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

“Board”	the board of Directors (including the independent non-executive Directors)
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司)
“Continuing Connected Transactions”	the continuing connected transactions under the Production Water Supply Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Jinsha Water Supply”	沾化金沙供水有限公司 (Zhanhua Jinsha Water Supply Co., Ltd.), a limited liability company established under the laws of the PRC on 6 December 2013 and owned as to 42.00% by Weiqiao Chuangye Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Production Water Supply Agreement”	the agreement dated 29 June 2015 and entered into between Zhanhua Huihong and Jinsha Water Supply for a term that will end on 31 December 2017
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Weiqiao Chuangye Group”	山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Goup Company Limited), a limited liability company established under the laws of the PRC on 14 April 1998 which is held as to 31.59% by Mr. Zhang Shiping, an executive director and controlling shareholder of the Company
“Zhanhua Huihong”	濱州市沾化區匯宏新材料有限公司 (Binzhou City Zhanhua District Huihong Aluminum Profiles Co., Ltd.), a limited liability company established under the laws of the PRC on 13 August 2013 and an indirectly wholly-owned subsidiary of the Company

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

Shandong, the PRC
29 June 2015

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