

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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  
INTRODUCTION OF STRATEGIC INVESTOR**

**THE CAPITAL INCREASE**

The Board is pleased to announce that on 30 April 2021, in order to further expand the Company's shareholders base and introduce strategic investor, the Company, Hongqiao Investment (HK) and Shandong Hongqiao, both being indirect subsidiaries of the Company, entered into the Capital Contribution Agreement with CCB Investment, pursuant to which CCB Investment has agreed to subscribe for new capital in Shandong Hongqiao in the aggregate amount of RMB1 billion (together with the two other previous Investors, Changzhe Hongji and Changzhe Hongye, a total of RMB3.8 billion was subscribed); meanwhile, Hongqiao Investment (HK) has agreed to contribute capital of RMB3 billion from the distributable profit of Shandong Hongqiao simultaneously to Shandong Hongqiao. The total amount involved in the aforesaid capital increase is RMB6.8 billion. Upon completion of the Capital Increase, Shandong Hongqiao will be held as to approximately 94.52% by Hongqiao Investment (HK) and as to approximately 5.48% in aggregate by the Investors, respectively.

**THE OPTION**

Pursuant to the Capital Contribution Agreement, the Option has been granted to CCB Investment, under which CCB Investment shall have the right to request the Company, Shandong Hongqiao or Shandong Hongqiao's related party designated by it to repurchase the equity interest held by CCB Investment in Shandong Hongqiao at that time after the occurrence of the event detailed under the paragraph headed "The Option" in this announcement.

## **LISTING RULES IMPLICATIONS**

The Capital Increase constitutes a deemed disposal by the Company of its equity interest in Shandong Hongqiao under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Capital Increase exceeds 5% but is less than 25% (calculated together with the two other Investors on an aggregation basis), the Capital Increase constitutes a discloseable transaction of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Option shall be treated as if exercised at the time of its grant pursuant to Rule 14.74(1) of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the maximum consideration estimated to be payable for repurchase of the equity interest held by the three Investors in Shandong Hongqiao exceeds 5% but is less than 25% (calculated on an aggregation basis), the grant of the Option constitutes a discloseable transaction of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **CAPITAL CONTRIBUTION AGREEMENT**

The Board is pleased to announce that on 30 April 2021, the Company, Hongqiao Investment (HK) and Shandong Hongqiao, both being indirect subsidiaries of the Company, entered into the Capital Contribution Agreement with CCB Investment, pursuant to which CCB Investment has agreed to subscribe for new capital in Shandong Hongqiao in the aggregate amount of RMB1 billion (together with the two other previous Investors, Changzhe Hongji and Changzhe Hongye, a total of RMB3.8 billion was subscribed); meanwhile, Hongqiao Investment (HK) has agreed to contribute capital of RMB3 billion from the distributable profit after deducting statutory surplus reserve on a consolidated basis generated by Shandong Hongqiao during the Transition Period to Shandong Hongqiao. The total amount involved in the aforesaid capital increase is RMB6.8 billion.

The Company, Hongqiao Investment (HK) and Shandong Hongqiao have previously entered into a capital contribution agreement with Changzhe Hongji and Changzhe Hongye respectively, pursuant to which Changzhe Hongji and Changzhe Hongye have subscribed for new capital of RMB2.25 billion and RMB550 million in Shandong Hongqiao respectively. As at the date of this announcement, such capital increase has been completed. The terms and conditions of such capital contribution agreements are substantially the same as those of the Capital Contribution Agreement entered into between the Company, Hongqiao Investment (HK) and Shandong Hongqiao and CCB Investment.

The principal terms of the Capital Contribution Agreement are set out as follows:

### **Date**

30 April 2021

## **Parties**

- (1) the Company;
- (2) Hongqiao Investment (HK);
- (3) Shandong Hongqiao; and
- (4) CCB Investment

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CCB Investment and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person(s).

## **Capital Increase**

CCB Investment has agreed to subscribe for new capital in Shandong Hongqiao in the amount of RMB1 billion. CCB Investment shall make full payment of the capital contribution in cash to the special account designated by Shandong Hongqiao in writing on the Capital Increase Date.

Meanwhile, Hongqiao Investment (HK) has agreed to contribute capital of RMB3.0 billion from the distributable profit after deducting statutory surplus reserve on a consolidated basis generated by Shandong Hongqiao during the Transition Period to Shandong Hongqiao.

## **Valuation of the Capital Increase**

Based on the work previously carried out (including the respective internal approval procedures), the parties agreed to use the valuation of Shandong Hongqiao as at 31 December 2019 as a reference. The assessed value of 100% equity interest of Shandong Hongqiao as at 31 December 2019 was approximately RMB58.455 billion (equivalent to the total value of audited shareholders' equity attributable to the parent company of Shandong Hongqiao as at 31 December 2019).

## **Shareholding percentage upon completion of the Capital Increase**

Upon completion of the Capital Increase, Shandong Hongqiao will be held as to approximately 94.52% by Hongqiao Investment (HK), as to approximately 3.25% by Changzhe Hongji, as to approximately 1.44% by CCB Investment and as to approximately 0.79% by Changzhe Hongye.

## **Transition Period**

The parties to the Capital Contribution Agreement have agreed that Hongqiao Investment (Hong Kong) shall be entitled to RMB3.0 billion from the distributable profit after deducting statutory surplus reserve on a consolidated basis generated by Shandong Hongqiao during the Transition Period, and Hongqiao Investment (Hong Kong) shall contribute capital to Shandong Hongqiao with the aforesaid solely entitled distributable profit in accordance with the valuation of the Capital Increase.

The parties to the Capital Contribution Agreement have agreed that, except for the aforesaid profit during the Transition Period to which Hongqiao Investment (HK) is solely entitled, all the remaining distributable and undistributed profit after deducting statutory surplus reserve on an audited consolidated basis generated by Shandong Hongqiao during the Transition Period shall be jointly borne or enjoyed by Hongqiao Investment (HK) and the three Investors in proportion to their respective shareholdings in Shandong Hongqiao after the completion of the Capital Increase. The specific manner of bearing or entitlement shall be considered and approved by the general meeting of Shandong Hongqiao.

All parties to the Capital Contribution Agreement have confirmed that the above arrangement for the profit incurred during the Transition Period shall not be adjusted based on the audited financial results of Shandong Hongqiao for the year ended 31 December 2020.

## **Conditions Precedent**

The payment of capital contribution by CCB Investment is conditional upon the satisfaction or obtaining waiver from CCB Investment of the following Conditions Precedent:

- (i) CCB Investment has completed business, legal and financial due diligence, and the investigation results are not materially different from the information disclosed by Shandong Hongqiao and are satisfactory to CCB Investment;
- (ii) the representations and warranties of Shandong Hongqiao, Hongqiao Investment (HK) and the Company remain true and accurate in all respects as at the Capital Increase Date (except for those made only on specific dates);
- (iii) no event has occurred or is reasonably expected to occur, which will have Material Adverse Effect on the business, operations, assets, financial or other conditions of Shandong Hongqiao;
- (iv) the board of directors and the shareholders of Shandong Hongqiao have approved the Capital Increase and the Capital Contribution Agreement and the existing shareholders of Shandong Hongqiao have waived their pre-emptive rights to subscribe for the Capital Increase; and
- (v) Hongqiao Investment (HK) and the Company have obtained all internal consents and approvals and consent(s) of third-party creditor(s) (if necessary) for the Capital Increase and the Capital Contribution Agreement.

## **Completion**

Shandong Hongqiao shall give written notice to CCB Investment upon satisfaction or obtaining waiver from CCB Investment of the Conditions Precedent, and CCB Investment shall make full payment of the capital contribution in cash to the special account designated by Shandong Hongqiao within five business days after issuance of the aforesaid notice by Shandong Hongqiao.

After payment of the capital contribution by CCB Investment on the Capital Increase Date, Hongqiao Investment (HK) and CCB Investment shall execute the amended articles of association of Shandong Hongqiao in the form and content attached to the Capital Contribution Agreement on the Capital Increase Date, and Shandong Hongqiao and Hongqiao Investment (HK) shall deliver to CCB Investment a copy of register of members of Shandong Hongqiao and the original of capital contribution certificate.

Hongqiao Investment (HK) shall procure Shandong Hongqiao to file and complete the registration of capital increase with relevant PRC market regulation authority within thirty business days after the Capital Increase Date and CCB Investment shall provide necessary information and cooperate with relevant procedures.

After the Capital Increase Date, CCB Investment shall enjoy all the rights and assume all the obligations as the shareholders of Shandong Hongqiao according to the relevant laws and regulations and the amended articles of association of Shandong Hongqiao. Upon completion of the Capital Increase, Shandong Hongqiao will become an indirect non-wholly owned subsidiary of the Company.

## **Company governance**

Upon completion of the Capital Increase and during the period when Hongqiao Investment (HK) holds equity interest in Shandong Hongqiao, the following matters shall be proposed for consideration at the general meeting of Shandong Hongqiao and passed by the votes representing more than two thirds of voting rights held by the shareholders of Shandong Hongqiao:

- (1) the amendment to the articles of association of Shandong Hongqiao;
- (2) the increase or decrease of the registered capital of Shandong Hongqiao (including purchase or redemption of any kind of equity securities of Shandong Hongqiao); and
- (3) the merger, division, dissolution and change of company form of Shandong Hongqiao.

Investors have no rights to nominate directors of Shandong Hongqiao, and will not appoint directors to Shandong Hongqiao.

## **Profit distribution**

Pursuant to the Capital Contribution Agreement, within thirty-six months after the Capital Increase Date, on the premise that the cash flow of Shandong Hongqiao can meet its normal operation, Shandong Hongqiao shall distribute profit in cash every year according to the proportion of all its shareholders' actual paid-in capital contribution on the actual distribution date, with the annual profit distribution proportion being 50% of the distributable profit after deducting statutory surplus reserve on an audited consolidated basis for the year in which profit shall be distributed by Shandong Hongqiao (i.e. 2021 and subsequent years in which profit shall be distributed).

If the equity interest held by CCB Investment in Shandong Hongqiao is exchanged into the listed shares within thirty-six months after the Capital Increase Date or CCB Investment exercises the Option pursuant to the Capital Contribution Agreement, such obligation of profit distribution of Shandong Hongqiao shall terminate on the date when the equity interest held by CCB Investment in Shandong Hongqiao is exchanged into the listed shares or on the Transfer Date.

### **The Option**

The Option has been granted to CCB Investment, under which CCB Investment shall have the right to request the Company, Shandong Hongqiao or Shandong Hongqiao's related party designated by it (one or more parties, singly or collectively, the "**Repurchase Obligor(s)**") in writing to repurchase the then equity interest held by CCB Investment in Shandong Hongqiao if such equity interest in Shandong Hongqiao has not been exchanged into the listed shares within thirty-six months after the Capital Increase Date. CCB Investment shall exercise the Option within ninety days upon expiry of thirty-six months after the Capital Increase Date and within fifteen days after the date of determination of profit distribution of Shandong Hongqiao for the previous year, whichever is later.

The repurchase price of the aforesaid equity interest shall be calculated as follows:

Repurchase price = the amount of actual capital contribution to be made by CCB Investment  $\times (1 + 8\% \times N \div 365)$  - cumulative profit distribution received by CCB Investment (if any)

N = the number of days elapsed from the Capital Increase Date (inclusive) to the Transfer Date (exclusive).

The Repurchase Obligor(s) shall complete payment of the repurchase price in accordance with CCB Investment's instructions within thirty days after the repurchase notice is given to it by CCB Investment.

Pursuant to the capital contribution agreements entered into between the Company, Hongqiao Investment (HK) and Shandong Hongqiao and Changzhe Hongji and Changzhe Hongye respectively, Changzhe Hongji and Changzhe Hongye are also entitled to the same option as that granted to CCB Investment. Based on the above formula and on the basis of the capital contribution to be made by the three Investors to Shandong Hongqiao of RMB3.8 billion in total, the maximum repurchase price estimated to be payable if the options are exercised by the three Investors would be approximately RMB4.79 billion in total.

### **Transfer restrictions**

CCB Investment has undertaken that, for the period from the Capital Increase Date to the date when the equity interest held by CCB Investment in Shandong Hongqiao is exchanged into the listed shares and for a period of one year from the date when Shandong Hongqiao is transferred to a joint stock company, it shall not transfer its equity interest/shares in Shandong Hongqiao without the prior written consent of Hongqiao Investment (HK), subject to the relevant regulations and requirements on lock-up of relevant regulatory authorities and stock exchanges (if applicable).

After the expiry of the aforesaid lock-up period or after the equity interest held by CCB Investment in Shandong Hongqiao is exchanged into the listed shares, CCB Investment shall not sell the equity interest/shares of Shandong Hongqiao held by it to a competitor of Shandong Hongqiao in the same or similar industry (including but not limited to domestic and overseas primary aluminum and aluminum products production and sales enterprises and/or their related companies) by block trade, agreed transfer, judicial enforcement, execution of equity pledge agreement, gift, stock income swap etc (except for the reduction of Shandong Hongqiao's shares by way of secondary market centralized bidding trading), and unless obtaining the written consent of Hongqiao Investment (HK), the transferee of such equity interest/shares transferred by CCB Investment shall assume all of the obligations of CCB Investment under the Capital Contribution Agreement and other relevant legal documents.

### **Restriction on further capital increase**

Except as otherwise agreed in the Capital Contribution Agreement, Shandong Hongqiao shall not conduct capital increase at a valuation lower than that of the Capital Increase without the consent of CCB Investment after the date of the Capital Contribution Agreement.

### **Pre-emptive right**

CCB Investment shall have a pre-emptive right to subscribe for the additional registered capital (or other securities of equity nature) of Shandong Hongqiao, and CCB Investment shall have the right to subscribe for entire or part of the additional registered capital in proportion to its shareholding in Shandong Hongqiao at that time through itself or an entity designated by it and agreed in writing in advance by Hongqiao Investment (HK).

### **INFORMATION ABOUT SHANDONG HONGQIAO**

Shandong Hongqiao is incorporated in the PRC with limited liability on 27 July 1994 with a registered capital of RMB11,589,607,026.15 as at the date of this announcement and is an indirect subsidiary of the Company. Shandong Hongqiao is principally engaged in ore dressing, common non-ferrous metal smelting, non-ferrous metals calendaring processing, metal material sales, coal and coal product sales and goods import and export business.

According to the audited financial statements of Shandong Hongqiao, the financial results of Shandong Hongqiao for the two years ended 31 December 2019 and 2020 are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	<b>2020</b>
	<b>(audited)</b>	<b>(audited)</b>
	<b><i>RMB'million</i></b>	<b><i>RMB'million</i></b>
Profit before tax	6,830.66	<b>13,192.12</b>
Profit after tax	4,934.54	<b>11,139.77</b>

The audited net asset value of Shandong Hongqiao as at 31 December 2020 was RMB74,198.65 million.

## **FINANCIAL EFFECT OF THE CAPITAL INCREASE ON THE COMPANY AND USE OF PROCEEDS**

Upon completion of the Capital Increase, the equity interest held by the Company (through Hongqiao Investment (HK)) in Shandong Hongqiao will decrease from 100% to approximately 94.52%. Nonetheless, Shandong Hongqiao will remain as a subsidiary of the Company and its financial results, assets, liabilities and cash flows will continue to be consolidated into the Company's consolidated financial statements. As the Capital Increase will not result in the Company's loss of control over Shandong Hongqiao, the Capital Increase will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income. Pursuant to the Capital Contribution Agreement, if the equity interest in Shandong Hongqiao has not been exchanged into the listed shares within thirty-six months after the Capital Increase Date, the Company, Shandong Hongqiao or a related party designated by Shandong Hongqiao shall repurchase the relevant equity interest in accordance with the Capital Contribution Agreement. The management of the Company is of the view that possibility of the Company or Shandong Hongqiao assuming the repurchase obligation is minimal and therefore the Capital Increase will be included in equity.

The proceeds from the Capital Increase will be used for the development and operation of the main business of Shandong Hongqiao and other purposes as approved by Shandong Hongqiao.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE**

The Company believes that the introduction of the Investors as strategic shareholders of Shandong Hongqiao will help further deepen the cooperation with the strategic investors, including the provision of strategic resource support to the Group, and will lay a stronger foundation for the future business development of the Group. The introduction of the strategic investors will also help the Group to enhance the capitalization level of the Group by further promoting the Group's domestic capital market operations and making full use of the domestic capital market platform. The Directors believe the Capital Increase will bring positive strategic significance to the future development of the Group and will be beneficial to the long-term development of the Group.

Given that the Capital Contribution Agreement was entered into after arm's length negotiations, the Directors (including the independent non-executive Directors) consider that the Capital Contribution Agreement and the Capital Increase contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company does not rule out the introduction of further strategic shareholders to Shandong Hongqiao in the near future. The Company will disclose any such further capital increase in compliance with the Listing Rules when binding capital contribution agreements have been entered into.

## **INFORMATION ON THE GROUP, SHANDONG HONGQIAO, HONGQIAO INVESTMENT (HK) AND INVESTORS**

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



Shandong Hongqiao is an indirect subsidiary of the Company and is principally engaged in ore dressing, common non-ferrous metal smelting, non-ferrous metals calendaring processing, metal material sales, coal and coal product sales and goods import and export business.

Hongqiao Investment (HK) is principally engaged in investment and holding.

CCB Investment is a non-bank financial institution established upon the approval of the banking regulatory authorities under the State Council and is a wholly-owned tier 1 subsidiary of China Construction Bank Corporation (中國建設銀行股份有限公司) with a registered capital of RMB27 billion, and is the first financial asset investment company in the PRC to obtain a business licence to commence operations.

Changzhe Hongji and Changzhe Hongye are investment funds with Changjiang Zheshang United Investment Management Co., Ltd. (長江浙商聯合投資管理有限公司) (“**Changzhe Investment Management**”) as the managing partner. Changzhe Investment Management is a joint venture between a number of Alumni entrepreneurs from Cheung Kong Graduate School of Business and a number of leading entrepreneurs in the manufacturing industry in the PRC, with a focus on investments in the fields of intelligent manufacturing, healthcare, new materials and education and culture industries.

## **IMPLICATION UNDER THE LISTING RULES**

The Capital Increase constitutes a deemed disposal by the Company of its equity interest in Shandong Hongqiao under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Capital Increase exceeds 5% but is less than 25% (calculated together with the two other Investors on an aggregate basis), the Capital Increase constitutes a discloseable transaction of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Option shall be treated as if exercised at the time of its grant pursuant to Rule 14.74(1) of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the maximum consideration estimated to be payable for repurchase of the equity interest held by the three Investors in Shandong Hongqiao exceeds 5% but is less than 25%, the grant of the Option constitutes a discloseable transaction of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Capital Contribution Agreement”	the capital contribution agreement dated 30 April 2021 entered into between the Company, Hongqiao Investment (HK), Shandong Hongqiao and CCB Investment in relation to the Capital Increase

“Capital Increase”	the subscription of new capital in Shandong Hongqiao by CCB Investment and Hongqiao Investment (HK) under the Capital Contribution Agreement
“Capital Increase Date”	the date when full payment of capital contribution is made by CCB Investment to the special account designated by Shandong Hongqiao
“CCB Investment”	CCB Financial Asset Investment Company Limited (建信金融資產投資有限公司), a limited company incorporated in the PRC on 26 July 2017
“Changzhe Hongji”	三亞長浙宏基創業投資基金合夥企業(有限合夥)(Sanya Changzhe Hongji Venture Capital Fund Partnership (Limited Partnership)), a limited partnership incorporated in the PRC on 22 February 2021
“Changzhe Hongye”	三亞長浙宏葉創業投資基金合夥企業(有限合夥)(Sanya Changzhe Hongye Venture Capital Fund Partnership (Limited Partnership)), a limited partnership incorporated in the PRC on 30 March 2021
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司)
“Conditions Precedent”	the conditions precedent of the payment of capital contribution by CCB Investment under the Capital Contribution Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongqiao Investment (HK)”	Hongqiao Investment (Hong Kong) Limited(宏橋投資(香港)有限公司), a company incorporated in Hong Kong with limited liability on 18 February 2010 and an indirect wholly-owned subsidiary of the Company
“Investors”	Changzhe Hongji, Changzhe Hongye and CCB Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Material Adverse Effect”	the consolidated net assets of Shandong Hongqiao decrease by 10% or more since the last accounting date before the occurrence of the relevant events, matters or circumstances

“Option”	the option that has been granted to CCB Investment under the Capital Contribution Agreement, the particulars of which are set out in the paragraph headed “The Option” in this announcement
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Hongqiao”	Shandong Hongqiao New Material Co., Ltd.* (山東宏橋新型材料有限公司), a company incorporated in the PRC with limited liability on 27 July 1994 and an indirect subsidiary of the Company
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Date”	the date of payment of the consideration for repurchase of the equity interest held by CCB Investment in Shandong Hongqiao when CCB Investment exercises the Option
“Transition Period”	the period from the valuation reference date (i.e. 31 December 2019) to the Capital Increase Date
“%”	per cent

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

Shandong, the PRC  
3 May 2021

*As at the date of this announcement, the Board comprises eleven Directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang and Ms. Zhang Ruilian as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Li Zimin (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as non-executive Directors, and Mr. Wen Xianjun, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive Directors.*