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**China Hongqiao Group Limited**

**中國宏橋集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1378)**

**PLACING OF EXISTING SHARES HELD BY HONGQIAO HOLDINGS AND  
SUBSCRIPTION FOR NEW SHARES BY HONGQIAO HOLDINGS  
AND  
RESUMPTION OF TRADING**

Sole Placing Agent

**BofA Merrill Lynch**

On 4 September 2014, after trading hours, Hongqiao Holdings, the Company and the Sole Placing Agent entered into the Placing and Subscription Agreement. Pursuant to the Placing and Subscription Agreement, the Sole Placing Agent agreed to place, on a best efforts basis, the Placing Shares held by Hongqiao Holdings to independent placees at the Placing Price, and Hongqiao Holdings conditionally agreed to subscribe, and the Company agreed to allot and issue to Hongqiao Holdings, the Subscription Shares at the Subscription Price, being the same as the Placing Price, on the terms and subject to the conditions set out in the Placing and Subscription Agreement.

The Subscription is conditional upon, among other things, (i) the Listing Committee granting listing of and permission to deal in the Subscription Shares (and such listing and permission not being subsequently revoked prior to the delivery of the definitive share certificate(s) representing the Subscription Shares); and (ii) completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement.

Assuming 275,880,000 Shares are allotted and issued by the Company and subscribed for by Hongqiao Holdings pursuant to the Subscription, the net proceeds to be received by the Company from the Subscription will amount to approximately HK\$1,688.1 million. The Company intends to apply the net proceeds for the repayment of indebtedness, acquisition of upstream bauxite resources and general corporate purposes.

At the request of the Board of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Thursday, 4 September 2014, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 5 September 2014.

**Shareholders and potential investors should note that completion of the Placing and the Subscription are subject to the satisfaction of their respective conditions precedent in the Placing and Subscription Agreement. As the Placing and/or the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **I. PLACING AND SUBSCRIPTION AGREEMENT**

### **Date**

4 September 2014 (after trading hours)

### **Parties**

- (i) Hongqiao Holdings, a controlling shareholder of the Company;
- (ii) the Company; and
- (iii) the Sole Placing Agent.

### **A. The Placing**

#### *The Placing and Number of Placing Shares*

The Sole Placing Agent has agreed to place, on a best effort basis, up to 275,880,000 existing Shares owned by Hongqiao Holdings, representing (i) approximately 4.7% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.5% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares immediately after the completion of the Placing and the Subscription.

### *Placing Price*

HK\$6.19 per Placing Share (exclusive of Hong Kong stamp duty, brokerage (if any), SFC transaction levy and Stock Exchange trading fee as may be payable by the placees) representing:

- (i) a discount of approximately 9.1% to the closing price of HK\$6.81 per Share quoted on the Stock Exchange on 3 September 2014, being the last trading date immediately prior to the date of the Placing and Subscription Agreement;
- (ii) a discount of approximately 5.6% to the average closing price of the Shares of approximately HK\$6.56 per Share as quoted on the Stock Exchange from 28 August 2014 to 3 September 2014, both dates inclusive, being the last five trading days immediately prior to the date of this announcement; and
- (iii) a discount of approximately 6.4% to the average closing price of the Shares of approximately HK\$6.61 per Share as quoted on the Stock Exchange from 21 August 2014 to 3 September 2014, both dates inclusive, being the last ten trading days immediately prior to the date of this announcement.

The net Placing Price per Share, after deduction of placing commission and all other fees and expenses, is HK\$6.12 per Share.

The Placing Price has been determined after arm's length negotiations between the parties. The Directors are of the opinion that the Placing Price is fair and reasonable and is in the best interest of the Company and its Shareholders.

### *Sole Placing Agent*

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Sole Placing Agent and its ultimate beneficial owners are independent of and not connected with Hongqiao Holdings. They are also independent of the Company and not connected persons (as defined in the Listing Rules) to the Company.

### *Placing commission*

Subject to completion of the Placing, the Sole Placing Agent will be entitled to a commission of approximately HK\$17.1 million payable by the Company pursuant to the Placing and Subscription Agreement. The placing commission was determined after arm's length negotiations between the Company and the Placing Agent with reference to the market rate.

### *The Placees*

The Placing Shares will be placed to not less than six placees, being professional, institutional and/or other investors. The placees (and their beneficial owners) will be independent and not connected with Hongqiao Holdings or any person acting in concert with it (as defined in the

Takeovers Code), and will also be independent of the Company and its connected persons (as defined in the Listing Rules). It is expected that none of the Placees will become a substantial shareholder of the Company as a result of the Placing.

### *Rights and Ranking of the Placing Shares*

The Placing Shares will be sold free from all pledge, liens, charges, mortgages, security interests, adverse claims, encumbrances, and third party rights and ranking pari passu with existing Shares and together with all rights attaching to them as at the date of this announcement, including the right to receive all dividends or other distributions declared, made or paid on or after the date of this announcement.

### *Conditions of the Placing*

Completion of the Placing shall be conditional upon the receipt by the Sole Placing Agent of:

- i. copies of the shareholders' resolutions and board resolutions of Hongqiao Holdings, in a form satisfactory to the Sole Placing Agent, approving, inter alia, the Placing and the entering into and performance of the Hongqiao Holdings' obligations under the Placing and Subscription Agreement; and
- ii. opinions in a form reasonably acceptable to the Sole Placing Agent of (a) the Company's legal advisers as to the due incorporation and valid existence of the Company, the binding nature and enforceability of the Placing and Subscription Agreement and other customary matters for transactions of the kind contemplated by the Placing and Subscription Agreement under the laws of Cayman Islands, (b) Hongqiao Holdings' legal advisers as to the due incorporation and valid existence of Hongqiao Holdings, the binding nature and enforceability of the Placing and Subscription Agreement and other customary matters for transactions of the kind contemplated by the Placing and Subscription Agreement, under the laws of the British Virgin Islands, and (c) the Company's legal advisers and the Sole Placing Agent's legal advisers that no registration of the Placing Shares is required under the U.S. Securities Act of 1933 (as amended) for the offer and sale of the Placing Shares contemplated by the Placing and Subscription Agreement.

### *Completion of Placing*

Subject to the satisfaction of conditions of the Placing set out in the sub-section titled "*Conditions of the Placing*" above and the Sole Placing Agent's termination rights as set out in the sub-section titled "*Termination*" below, completion of the Placing shall take place on the Closing Date.

## *Termination*

The Sole Placing Agent reserves its right to terminate the arrangements set out in the Placing and Subscription Agreement without liability to Hongqiao Holdings and/or the Company by the Sole Placing Agent giving notice in writing to Hongqiao Holdings and the Company at any time prior to 8:30 a.m. (Hong Kong time) on the Closing Date, if there develops, occurs or comes into force:

- (i) any new law or regulation in existing laws or regulations in any relevant jurisdiction which in the opinion of the Sole Placing Agent has or is likely to have a material adverse effect on the financial position of the Company and/or of the Group as a whole; or
- (ii) any event, development or change (whether or not forming part of a series of events or changes occurring or continuing before, or and/or after the date hereof and including an event of change in relation to or a development of an existing state of affairs) in local, national or international monetary, economic, financial, political or military conditions which in the opinion of the Sole Placing Agent is or would be materially adverse to the success of the Placing; or
- (iii) any event, development or change (whether or not forming part of a series of events or changes occurring or continuing before, or and/or after the date hereof and including an event of change in relation to or a development of an existing state of affairs) in local, national or international securities market conditions or currency exchange rates or foreign exchange rates or foreign exchange controls which in the sole judgement of the Sole Placing Agent is or would be materially adverse to the success of the Placing; or makes it impracticable or inadvisable or inexpedient to proceed therewith; or
- (iv) a general moratorium on commercial banking activities in Hong Kong, the PRC, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, the United Kingdom or the United States of America; or
- (v) a change or development in Taxation which constitutes a material adverse effect on the Group as a whole or the Placing Shares or the transfer thereof; or
- (vi) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong, the PRC, the United Kingdom or the United States of America or the declaration by Hong Kong, the PRC, the United Kingdom or the United States of America of a national emergency or war; or
- (vii) any suspension of dealings in the Shares for any period whatsoever (other than as a result of the Placing); or
- (viii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the London Stock Exchange, the New York Stock

Exchange or Nasdaq due to exceptional financial circumstances or otherwise at any time prior to the Closing Date; or

- (ix) instigation of any litigation or claim of material importance by any third party against any member of the Group; or
- (x) any breach of any of the representations, warranties and undertakings by the Company and/or Hongqiao Holdings set out in the Placing and Subscription Agreement comes to the knowledge of the Sole Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any respect and any such breach or failure is material or (in the opinion of the Sole Placing Agent) is or would materially and adversely affect the financial position or business of the Company and/or of the Group as a whole or is or would be materially adverse to the success of the Placing, or there has been a breach of, or failure to perform, any other provision of the Placing and Subscription Agreement on the part of Hongqiao Holdings and/or the Company; or
- (xi) any such adverse change, or development involving a prospective adverse change in the general affairs, condition, results of operations or prospects, management, business, stockholders' equity or in the financial or trading position of the Company and/or of the Group as a whole which in the opinion of the Sole Placing Agent is materially adverse to the success of the Placing;

Without prejudice to any other provisions of the Placing and Subscription Agreement, the Sole Placing Agent shall have the right exercisable at any time by notice in writing to Hongqiao Holdings and the Company to terminate the Placing and Subscription Agreement if any of the Placing Shares are not delivered by or on behalf of Hongqiao Holdings in accordance with the terms of the Placing and Subscription Agreement.

In the event that the Sole Placing Agent terminates the Placing and Subscription Agreement in accordance with the terms of the Placing and Subscription Agreement, all obligations of each of Hongqiao Holdings, the Company and the Sole Placing Agent under the Placing and Subscription Agreement shall cease and determine and no party to the Placing and Subscription Agreement shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing and Subscription Agreement except for any antecedent breach of any obligations under the Placing and Subscription Agreement and other liabilities specified under the Placing and Subscription Agreement.

### *Undertakings*

Pursuant to the Placing and Subscription Agreement, Hongqiao Holdings has undertaken to the Sole Placing Agent that (except for the sale of Placing Shares pursuant to the Placing and Subscription Agreement), for a period of 90 days from the Closing Date, it will not, and will procure that none of its nominees and companies controlled by it and trusts associated with

it (whether individually or together and whether directly or indirectly) will, (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by Hongqiao Holdings or any of its affiliates or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Sole Placing Agent.

The Company has undertaken to the Sole Placing Agent, and Hongqiao Holdings has undertaken to the Sole Placing Agent to procure, that for a period of 90 days from the Closing Date, the Company will not, except for the Subscription Shares and save pursuant to (1) bonuses or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with its articles of association or (2) exercise of the conversion right attached to the convertible bonds issued by the Company on 10 April 2012 in the initial aggregate principal amount of US\$150,000,000, (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Share(s) or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares or interest in Shares; or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, without first having obtained the written consent of the Sole Placing Agent.

## **B. The Subscription**

### *Subscriber*

Hongqiao Holdings

### *Number of Subscription Shares*

Such number up to 275,880,000 new Shares as may be equivalent to the number of Placing Shares actually placed under the Placing, representing not more than (i) approximately 4.7% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.5% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares immediately after the completion of the Placing and the Subscription.

### *Subscription Price*

HK\$6.19 per Subscription Share, which is equivalent to the Placing Price. The total subscription monies payable by Hongqiao Holdings to the Company will be the Subscription Price per Share (i.e. HK\$6.19) multiplied by the number of Subscription Shares less the placing commission and all other fees and expenses incurred by Hongqiao Holdings in relation to the Placing and the Subscription. The net Subscription Price, after deduction of fees and expenses, is HK\$6.12 per Subscription Share.

### *Ranking*

The Subscription Shares will, when fully paid, rank pari passu in all respects with the existing issued Shares of the Company upon issuance, including the rights to all dividends and other distributions declared, made or paid at any time after the date of allotment.

### *Conditions of the Subscription*

Completion of the Subscription is conditional on:

1. the Listing Committee granting listing of and permission to deal in the Subscription Shares (and such listing and permission not being subsequently revoked prior to the delivery of the definitive share certificate(s) representing the Subscription Shares); and
2. completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement.

Under Rule 14A.92(4) of the Listing Rules, no approval from Shareholders is required in connection with the Placing and the Subscription if the Subscription is completed within 14 days from the date of the Placing and Subscription Agreement, that is, on or before 18 September 2014. If the conditions are not fulfilled on or before 18 September 2014 or such later date as may be agreed between the Company and Hongqiao Holdings, the obligations and liabilities of Hongqiao Holdings and the Company under the Subscription shall be null and void and neither the Company nor Hongqiao Holdings shall have any claim against the other for costs, damages, compensation or otherwise.

### *Completion of the Subscription*

Completion of the Subscription will take place on the Business Day after the date upon which the last of the conditions of the Subscription to be satisfied has been so satisfied and in any event no later than 18 September 2014.



## *Mandate to issue new Shares*

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting held on 16 May 2014, which authorised the Directors to allot and issue up to 1,177,000,000 Shares (representing 20% of the issued share capital of the Company as at such date).

As at the date of this announcement, the general mandate has not been utilised prior to entering into the Placing and Subscription Agreement.

## **II. EFFECT OF THE PLACING AND THE SUBSCRIPTION ON SHAREHOLDING STRUCTURE**

The shareholding structure of the Company immediately before and after the Placing and the Subscription is summarised as follows:

	Immediately before completion of the Placing		Immediately after completion of the Placing but before the Top-Up Subscription		After completion of the Placing and the Top-Up Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Hongqiao Holdings	5,000,000,000	84.96	4,724,120,000	80.27	5,000,000,000	81.16
<b>Shares held by Public Shareholders</b>						
Placing Shares	–	–	275,880,000	4.69	275,880,000	4.48
Other Shares	885,000,000	15.04	885,000,000	15.04	885,000,000	14.36
Total	<u>5,885,000,000</u>	<u>100.00</u>	<u>5,885,000,000</u>	<u>100.00</u>	<u>6,160,880,000</u>	<u>100.00</u>

## **III. REASONS FOR THE PLACING AND THE SUBSCRIPTION**

In view of current capital market conditions, the Board considers that the Placing and the Subscription represent a good opportunity for the Company to raise further capital for the Company, while at the same time broadening its shareholder and capital base.

The Board (including the independent non-executive Directors) considers the terms of the Placing and Subscription Agreement, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

#### **IV. USE OF PROCEEDS**

The net proceeds from the Subscription is approximately HK\$1,688.1 million. The Company intends to apply the net proceeds for the repayment of indebtedness, acquisition of upstream bauxite resources and general corporate purposes.

#### **V. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activity in the past twelve month period immediately preceding this announcement.

#### **VI. APPLICATION FOR LISTING**

Application(s) will be made to the Stock Exchange for the grant of listing of and permission to deal in the Subscription Shares.

#### **VII. GENERAL INFORMATION OF THE GROUP**

The Group is a leading large-scale aluminum product manufacturer in the PRC.

#### **VIII. RESUMPTION OF TRADING**

At the request of the Board of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on Thursday, 4 September 2014 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares on the Stock Exchange with effect from 9:00 a.m. on Friday, 5 September 2014.

#### **IX. DEFINITIONS**

“Board”	means the board of Directors
“Business day”	means any day (excluding Saturdays, Sundays and public holidays) on which commercial banks generally are open for business in Hong Kong
“Closing Date”	10 September 2014, or such other date as Hongqiao Holdings and the Sole Placing Agent may agree in writing
“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 Islands and the Shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongqiao Holdings”	China Hongqiao Holdings Limited (中國宏橋控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 5 February 2010, which is 100% beneficially owned by Mr. Zhang
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Shiping, the Chairman, an executive Director and a controlling shareholder of the Company who is interested in approximately 84.96% of the issued share capital of the Company under the SFO as at the date of this announcement
“Placing”	the placing of the Placing Shares by the Sole Placing Agent pursuant to the Placing and Subscription Agreement
“Placing and Subscription Agreement”	the placing and subscription agreement dated 4 September 2014 entered into between Hongqiao Holdings, the Company and the Sole Placing Agent in relation to the Placing
“Placing Completion”	the completion of the Placing on the terms and subject to the conditions set out in the Placing and Subscription Agreement
“Placing Price”	HK\$6.19 per Placing Share
“Placing Shares”	up to 275,880,000 Shares to be placed under the Placing, which are currently held by Hongqiao Holdings
“PRC”	the People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share(s)”	ordinary share(s) of nominal value of US\$0.01 each in the capital of the Company
“Shareholders”	holders of Shares
“Sole Placing Agent”	Merrill Lynch Far East Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Hongqiao Holdings at the Subscription Price pursuant to the Placing and Subscription Agreement
“Subscription Price”	HK\$6.19 per Subscription Share
“Subscription Shares”	up to 275,880,000 new Shares to be subscribed by Hongqiao Holdings at the Subscription Price under the Placing and Subscription Agreement and which shall be the same as the number of Placing Shares actually placed under the Placing and Subscription Agreement
“Taxation”	all forms of taxation whether of Hong Kong or elsewhere in the world whenever imposed and all statutory, governmental, state, provincial, local governmental or municipal impositions, duties and levies and all penalties, charges, costs and interests relating thereto
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases approved by the SFC as amended from time to time
“trading day”	has the meaning ascribed to it in the Listing Rules
“US\$”	US dollars, the lawful currency of the United States of America
“%”	percent

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

Shandong, the People’s Republic of China  
5 September 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.*