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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)

**SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING
IN RELATION TO THE PROPOSED ACQUISITION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcement made by the Company on 16 May 2016 (the “**Announcement**”), Shandong Hongqiao entered into the MOU with Mr. Yu Rongqiang (于榮強先生) (“**Mr. Yu**”), in relation to the proposed acquisition of 261,096,605 shares (or any other number of shares stated in the Definitive Agreement) of the Target Company (the “**Target Shares**”), representing approximately 28.18% equity interest in the Target Company. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

After further negotiations of the Parties, on 1 July 2016, Shandong Hongqiao and Mr. Yu entered into a supplemental memorandum of understanding (the “**Supplemental MOU**”) to amend and/or supplement the following terms of the MOU:

Conditions Precedent

According to the disclosures in the Announcement and pursuant to the MOU, the Proposed Acquisition is conditional upon the satisfaction of the following conditions:

- (1) Shandong Hongqiao conducts legal and financial due diligence on the Target Company and no matters materially obstructing the Proposed Acquisition have been found;
- (2) issuance of a standard and unqualified auditor’s report on the Proposed Acquisition;
- (3) release of any pledge or other encumbrance on the shares subjecting to the Proposed Acquisition;

- (4) the Proposed Acquisition has been approved by the Department of Commerce of Shandong Province (山東省商務廳); and
- (5) announcements and disclosure documents have been reviewed and approved by Shenzhen Stock Exchange and China Securities Regulatory Commission (中國證券監督管理委員會) (if necessary).

Shandong Hongqiao may change or waive the above conditions precedent according to the change of regulatory policies and the actual working progress.

According to the Supplemental MOU, save as the above conditions precedent, the Parties have supplemented the following conditions precedent and agreed to procure all the conditions precedent as set out in the Supplemental MOU (the “**Conditions Precedent**”) will be satisfied no later than 31 December 2016:

- (1) the proposed transfer of Target Shares to Shandong Hongqiao by Mr. Yu has been released from any selling restrictions;
- (2) Shandong Hongqiao and its parent company or related parties have obtained the approval from its bond holders’ meeting and its creditors (if necessary) for the share transfer; and
- (3) the Ministry of Commerce of the PRC has assessed and approved the concentration of undertaking involved in the share transfer.

Shandong Hongqiao may change or waive the conditions precedent according to the change of regulatory policies and the actual working progress. In the event that conditions precedent has been waived by Shandong Hongqiao, Mr. Yu agrees to procure the satisfaction of the relevant conditions precedent as scheduled according to the then requirements of Shandong Hongqiao (if any).

Date of Definitive Agreement

According to the disclosures in the Announcement and pursuant to the MOU, the Definitive Agreement shall be executed no later than 15 July 2016, or any extended date as may be agreed by the Parties.

According to the supplemental MOU, the execution date of the Definitive Agreement has been extended to no later than 30 September 2016. The Parties can extend the execution time of the Definitive Agreement (the “**Latest Execution Date**”) according to the negotiation process of the share transfer. If no agreement is reached by the Parties for the extension of time, the MOU and the Supplemental MOU will lapse on the expired date of the preceding period.

Deposit

According to the disclosures in the Announcement and pursuant to the MOU, Shandong Hongqiao shall pay the Deposit in the amount of RMB500,000,000 to an account co-managed by the Parties. The Deposit in the amount of RMB500,000,000 will be retained as the part of the consideration for the Proposed Acquisition paid by Shandong Hongqiao. If the conditions precedent as set out in the MOU cannot be satisfied, the Deposit in the amount of RMB500,000,000 shall be returned to Shandong Hongqiao. If the conditions precedent as set out in the MOU is satisfied but Shandong Hongqiao declines to conduct the Proposed Acquisition, the Deposit in the amount of RMB500,000,000 will not be returned and will be owned by Mr. Yu. If the conditions precedent as set out in the MOU is satisfied but Mr. Yu declines to conduct the Proposed Acquisition, Mr. Yu shall return double Deposit in the amount of RMB500,000,000 to Shandong Hongqiao.

According to the Supplemental MOU, the Parties have negotiated and agreed that Shandong Hongqiao shall pay an additional deposit of RMB 400,000,000 (together with the paid deposit of RMB500,000,000, collectively the “**Deposit**”) into the account co-managed by the Parties after the execution of the Supplemental MOU.

The Parties shall review the completion progress of the conditions precedent on the Latest Execution Date:

- (1) if the conditions precedent cannot be satisfied and waived by Shandong Hongqiao, Mr. Yu shall return the full amount of Deposit to Shandong Hongqiao **within 15 working days after the Latest Execution Date**;
- (2) if the conditions precedent is satisfied or waived by Shandong Hongqiao but Shandong Hongqiao declines to execute the Definitive Agreement, the Deposit will not be refunded and will be owned by Mr. Yu;
- (3) if the conditions precedent is satisfied or waived by Shandong Hongqiao but Mr. Yu declines to execute the Definitive Agreement, Mr. Yu shall return double Deposit to Shandong Hongqiao with 15 working days after the Latest Execution Date; and
- (4) if the Parties have executed the Definitive Agreement, the Deposit will be directly allocated as the consideration of the Proposed Acquisition.

Release of pledges

According to the Supplemental MOU, the Parties have negotiated and agreed that Mr. Yu shall release the co-management of the corresponding amount of the Deposit, particularly used for releasing the pledges on the Target Shares as identified by the Parties and pledge certain number of shares (which is equivalent to the number of the Target Shares) to Shandong Hongqiao as the security of the performance of the MOU and the Supplemental MOU by Mr. Yu after releasing such pledges. Remaining Deposits shall be released from the co-management within fifteen (15) days after the execution of the Supplemental MOU. If the registration of the pledge of Target Shares to Shandong Hongqiao has not been completed, the Parties shall further negotiate the release time of co-management of the remaining Deposit.

Release of security

According to the Supplemental MOU, the Parties have agreed that the security for the debt of the Target Company shall be released in an appropriate way no later than twenty-two (22) working days after the completion of the transfer of the Target Shares. If it is failed to be released and Mr. Yu has accordingly assumed the security obligations, Shandong Hongqiao agrees to compensate Mr. Yu and pay 0.015% of the assumed security amount per day (from the twenty-third (23) working day after the completion of the transfer of the Target Shares) as the default fee to Mr. Yu

Termination

According to the Supplemental MOU, if the Target Company has suspended from listing or delisted before the transfer of the Target Shares to Shandong Hongqiao, the MOU, the Supplemental MOU and the Definitive Agreement (if executed) shall be terminated.

The Proposed Acquisition contemplated under the MOU and the Supplemental MOU is subject to the entering into of the Definitive Agreement by the Parties and the relevant terms and conditions have not yet been finalized. The Proposed Acquisition is also subject to the satisfaction of all conditions precedent and approval from relevant authorities. Therefore, the Proposed Acquisition may or may not materialize. Further announcement(s) in relation to the Proposed Acquisition will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

Accordingly, shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Shandong, the PRC
1 July 2016

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.