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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**  
**ALUMINUM PRODUCTS SALES FRAMEWORK AGREEMENT**

**ENTERING INTO CONTINUING CONNECTED TRANSACTIONS**

The Board announces that the Company and Caseman entered into the Aluminum Products Sales Framework Agreement on 24 July 2018 for a term ending on 31 December 2020, pursuant to which the Group agreed to sell aluminum products to Caseman.

**LISTING RULES IMPLICATION**

CTI Capital Management Limited (中信信惠國際資本有限公司) and its related company, CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), currently holding 877,184,826 shares of the Company, representing 10.04% of the total issued shares of the Company, are both indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司) and therefore CITIC Group Corporation (中國中信集團有限公司) is a connected person of the Company. Caseman is also an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司). Therefore, Caseman is deemed as a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Aluminum Products Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Continuing Connected Transactions are more than 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

An EGM will be convened to consider and, if thought fit, approve, among other things, the Aluminum Products Sales Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

A circular containing, among others, (i) further details of the Aluminum Products Sales Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps); (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders on or before 14 August 2018.

## **A. CONTINUING CONNECTED TRANSACTIONS**

### **1. Date**

24 July 2018

### **2. Parties**

(1) The Company (including its subsidiaries in the PRC); and

(2) Caseman

### **3. Connected Person**

Caseman

### **4. Transaction Nature**

The Company and Caseman entered into the Aluminum Products Sales Framework Agreement on 24 July 2018 for a term ending on 31 December 2020, pursuant to which the Group agreed to sell aluminum products to Caseman.

### **5. Pricing Basis and Payment Terms**

The prices of aluminum products supplied by the Group to Caseman are determined by reference to the prices at which comparable types of aluminum products are supplied by the Group to independent third parties under normal commercial terms in the ordinary course of its business in the PRC, which are the average of the weekly average prices of the four aluminum quotations from Henan Province, Shandong Province, East China and the Company listed on the Antaike aluminum regional quotations on the website of Beijing Antaike Information Development Co., Ltd. (北京安泰科信息開發有限公司) ([www.atk.com.cn](http://www.atk.com.cn)). The Company shall provide the evidence of such market prices to Caseman upon the request of Caseman. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Aluminum Products Sales Framework Agreement.

The Directors confirmed that the pricing basis agreed between the Company and Caseman for the supply of aluminum products is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term.

The Company and Caseman agreed that advance payment should be made by Caseman to the Company before the delivery of aluminum products, according to the volume of aluminum products ordered by Caseman for that week and the prices of aluminum products for the last week. A penalty of 8% per year on the overdue payment will be charged by the Company for the late payment.

## 6. Termination and renewal

Either party to the Aluminum Products Sales Framework Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Aluminum Products Sales Framework Agreement is renewable for another term of three years (subject to the compliance of the applicable requirements under the Listing Rules by the Company) unless either party decides not to renew it and gives a thirty (30) days prior written notice to the counterparty accordingly.

## 7. Historical transaction values and Annual Caps

The historical transaction values and sales volumes of the aluminum products supplied by the Group to Caseman for the period from 25 July 2016 to 30 June 2018 are as follows:

	<b>For the period from 25 July 2016 to 31 December 2016</b> <i>(RMB)</i> (excluding VAT)	<b>For the financial year ended 31 December 2017</b> <i>(RMB)</i> (excluding VAT)	<b>For the period from 1 January 2018 to 30 June 2018</b> <i>(RMB)</i> (excluding VAT)
Historical transaction values	1,452,484,000	4,189,456,000	2,258,765,000
Historical sales volumes ( <i>ton</i> )	127,173	337,557	184,118

Set out below are the Annual Caps of the aluminum products to be supplied by the Group to Caseman under the Aluminum Products Sales Framework Agreement, which are estimated to be payable by Caseman to the Company for the period from 24 July 2018 to 31 December 2018 and the two financial years ending 31 December 2019 and 31 December 2020:

	<b>For the period from 24 July 2018 to 31 December 2018</b> <i>(RMB)</i> (excluding VAT)	<b>For the financial year ending 31 December 2019</b> <i>(RMB)</i> (excluding VAT)	<b>For the financial year ending 31 December 2020</b> <i>(RMB)</i> (excluding VAT)
Annual Caps	2,934,557,000	5,551,092,000	5,551,092,000

The Annual Caps for the period ending 31 December 2018 and the two financial years ending 31 December 2019 and 31 December 2020, respectively, are determined with reference to the expected volumes of the aluminum products which are estimated by Caseman to purchase from the Group and the estimated unit market prices of the aluminum products. Caseman has confirmed that its future demands for aluminum products will maintain stable at approximately 391,000 tons per year for the three years ending 31 December 2020.

## **B. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS**

Caseman has a substantial and stable demand for aluminum products. The Group's provision of aluminum products to Caseman at prices no more favourable than those available to independent third parties falls within the ordinary and usual course of the Group's business. The Directors believe that the establishment of the long-term cooperation relationship with Caseman will stabilize the Company's operation, ensure a broaden stream of revenue source and a relatively stable profits rate and therefore is of commercial benefit to the Group as a whole.

The Directors consider that the Continuing Connected Transactions contemplated under the Aluminum Products Sales Framework Agreement are in the ordinary and usual course of business of the Company and that the terms and conditions of the Aluminum Products Sales Framework Agreement have been negotiated on an arm's length basis, and are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **C. LISTING RULES IMPLICATIONS**

CTI Capital Management Limited (中信信惠國際資本有限公司) and its related company, CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), currently holding 877,184,826 shares of the Company, representing 10.04% of the total issued shares of the Company, are both indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司) and therefore CITIC Group Corporation (中國中信集團有限公司) is a connected person of the Company. Caseman is also an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司). Therefore, Caseman is deemed as a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Aluminum Products Sales Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the Continuing Connected Transactions are more than 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

#### **D. INTERNAL CONTROL PROCEDURES**

The Company has adopted the following internal control measures to ensure that the Continuing Connected Transactions are in accordance with the pricing policies and the terms of the Aluminum Products Sales Framework Agreement, and in compliance with the Listing Rules:

- (1) the finance department of the Company shall monitor all the pricing records as the reference prices of the Continuing Connected Transactions to ensure the sales prices of the aluminum products offered by the Group to Caseman are no more favourable than the prices at which such products are offered by the Group to independent third parties;
- (2) the finance department of the Company shall monitor and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Aluminum Products Sales Framework Agreement and the Annual Caps are not exceeded;
- (3) the Board will continue to periodically review the Company's internal control systems and their effectiveness; and
- (4) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions and the Annual Caps in accordance with the requirements of the Listing Rules.

#### **E. EGM**

The Company will convene the EGM as soon as possible for the purpose of seeking the approval by the Independent Shareholders of (i) the Aluminum Products Sales Framework Agreement and the Continuing Connected Transactions thereunder and (ii) the Annual Caps for the period ending 31 December 2018 and the two financial years ending 31 December 2019 and 31 December 2020.

As at the date of this announcement, CTI Capital Management Limited (中信信惠國際資本有限公司) and its related company, CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), hold 877,184,826 shares of the Company, representing 10.04% of the total issued shares of the Company. To the best of the knowledge and belief of the Directors, neither of CTI Capital Management Limited (中信信惠國際資本有限公司) and CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) has any associate (other than amongst themselves) who is a Shareholder. According to the Listing Rules, CTI Capital Management Limited (中信信惠國際資本有限公司) and CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) will abstain from voting at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholder has a material interest in the Continuing Connected Transactions, and no Shareholder is required to abstain from voting to approve the Aluminum Products Sales Framework Agreement or the Annual Caps at the EGM.

The votes to be taken at the EGM in relation to the above proposed resolution(s) will be taken by poll.

The Independent Board Committee will be established to advise the Independent Shareholders in relation to their voting on the resolutions relating to the Aluminum Products Sales Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

Founder Securities (Hong Kong) Capital Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Aluminum Products Sales Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

A circular containing, among others, (i) further details of the Aluminum Products Sales Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps); (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM will be despatched to the Shareholders on or before 14 August 2018.

## **F. GENERAL**

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

According to the business license of Caseman, Caseman is principally engaged in the manufacture and sale of automotive parts and technology development, transfer, consultant and services.

## **G. DEFINITIONS**

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

“Aluminum Products Sales Framework Agreement”      the aluminum products sales framework agreement entered into between the Company and Caseman dated 24 July 2018 for a term ending on 31 December 2020, pursuant to which the Group agreed to sell aluminum products to Caseman

“Annual Caps”      the annual caps for the Continuing Connected Transactions contemplated under the Aluminum Products Sales Framework Agreement for the period from 24 July 2018 to 31 December 2018 and the two financial years ending 31 December 2019 and 31 December 2020

“Board”      the board of Directors

“Caseman”	凱斯曼秦皇島汽車零部件製造有限公司(Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd.), a limited liability company established in the PRC on 1 November 2013
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司)
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Aluminum Products Sales Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held as soon as possible for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Aluminum Products Sales Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholder on the Continuing Connected Transactions (including the Annual Caps)
“Independent Financial Adviser”	Founder Securities (Hong Kong) Capital Company Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions (including the Annual Caps)
“Independent Shareholders”	the Shareholders other than CTI Capital Management Limited (中信信惠國際資本有限公司) and its related company, CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) for the purpose of the Aluminum Products Sales Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC



“Shareholder(s)”

registered holder(s) of the shares of the Company

“VAT”

value added tax for sales of aluminum products. The sales of aluminum products has been subject to a value added tax at the rate of 16% since 1 May 2018; and was subject to a value added tax at the rate of 17% before 1 May 2018

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

Shandong, the PRC  
24 July 2018

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