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If you have sold or transferred all your shares in China Hongqiao Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
INVESTMENT AND WEALTH MANAGEMENT COOPERATION
FRAMEWORK AGREEMENT
AND
NOTICE OF THE EGM**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Lego Corporate Finance Limited

A notice convening the EGM of the Company to be held at the Conference Hall on 8th Floor, Company Office Building, No. 12 Wei Fang Road, Economic Development District, Zouping City, Shandong Province, the People's Republic of China on Tuesday, 15 January 2019 at 9:00 a.m. is set out on pages 33 to 34 of this circular. A form of proxy for use at the EGM is enclosed herewith. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hongqiaochina.com), respectively.

Whether or not you are able to attend the EGM, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

21 December 2018

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DEFINITIONS

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

“Annual Caps”	the annual caps for the Continuing Connected Transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement for the period commencing on 3 December 2018 and ending on 31 December 2020
“Board”	the board of Directors
“CITIC Trust”	CITIC Trust Co., Ltd. (中信信託有限責任公司), a limited liability company established in the PRC on 1 March 1988
“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 Investment and Wealth Management Cooperation Framework Agreement
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held on Tuesday, 15 January 2019 for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Entrusted Investment Services”	the Entrusted Investment Services to be provided by Party B to Party A under the Investment and Wealth Management Cooperation Framework Agreement, including but not limited to equity trust service, property trust service and asset-backed securitization service
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	Lego Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (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 Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps)
“Investment and Wealth Management Cooperation Framework Agreement”	the investment and wealth management cooperation framework agreement entered into between the Company and CITIC Trust on 3 December 2018 for a term commencing on 3 December 2018 and ending on 31 December 2020, pursuant to which Party B will provide Investment Products, including but not limited to trust products, monetary funds and asset management plans, and Entrusted Investment Services to Party A and Party A and Party B may initiate Other Investment Cooperation
“Investment Products”	the Investment Products to be provided by Party B to Party A under the Investment and Wealth Management Cooperation Framework Agreement, including but not limited to trust products, monetary funds and assets management plans
“Latest Practicable Date”	18 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Other Investment Cooperation”	other investment cooperation that Party A and Party B may initiate through negotiation in compliance with relevant laws and regulations under the Investment and Wealth Management Cooperation Framework Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK\$ at the rate of RMB0.88682=HK\$1. Such translations should not be construed as a presentation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Shiping (Chairman)

Ms. Zheng Shuliang (Vice Chairman)

Mr. Zhang Bo (Chief Executive Officer,
Authorised Representative)

Ms. Zhang Ruilian (Vice President, Chief Financial Officer)

Registered Office:

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

Non-executive Directors:

Mr. Yang Congsen

Mr. Zhang Jinglei

Mr. Chen Yisong (Mr. Zhang Hao as his alternate)

*Principal Place of Business
in Hong Kong:*

Rm 5108, The Center

99th Queen's Road Central

Hong Kong

Independent non-executive Directors:

Mr. Xing Jian

Mr. Han Benwen

Mr. Dong Xinyi

21 December 2018

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
INVESTMENT AND WEALTH MANAGEMENT COOPERATION
FRAMEWORK AGREEMENT
AND
NOTICE OF THE EGM**

A. INTRODUCTION

As disclosed in the announcement of the Company dated 3 December 2018, the Company and CITIC Trust entered into the Investment and Wealth Management Cooperation Framework Agreement on 3 December 2018 for a term commencing on 3 December 2018 and ending on 31 December 2020, pursuant to which CITIC Trust (including its subsidiaries) will provide Investment Products, including but not limited to trust products, monetary funds and asset management plans, and Entrusted Investment Services to the Company (including its subsidiaries) and the Company (including its subsidiaries) and CITIC Trust (including its subsidiaries) may initiate Other Investment Cooperation.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information regarding (i) further details of the Investment and Wealth Management Cooperation 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.

B. THE INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT

1. Date

3 December 2018

2. Parties

- (1) The Company, including its subsidiaries (“**Party A**”); and
- (2) CITIC Trust, including its subsidiaries (“**Party B**”)

3. Connected person

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, representing 10.11% of the total issued Shares, 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 substantial shareholder and a connected person of the Company under the Listing Rules.

CITIC Trust is also an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司) and therefore is an associate of CITIC Group Corporation (中國中信集團有限公司) and a connected person of the Company under the Listing Rules.

4. Transaction nature

The Company and CITIC Trust entered into the Investment and Wealth Management Cooperation Framework Agreement on 3 December 2018 for a term commencing on 3 December 2018 and ending on 31 December 2020, pursuant to which Party B will provide Investment Products, including but not limited to trust products, monetary funds and asset management plans, and Entrusted Investment Services to Party A and Party A and Party B may initiate Other Investment Cooperation.

LETTER FROM THE BOARD

5. Subject matters

(1) Investment Products

Party B may from time to time recommend its Investment Products, including but not limited to trust products, monetary funds and asset management plans, to Party A and assuming the commercial terms offered by Party B are comparable to those offered by other independent third parties in the PRC, Party A shall consider the Investment Products offered by Party B on a preferred basis. Taking the ranking, reputation and asset scale of CITIC Trust into consideration, the Company is of the view that with equivalent terms and conditions provided by CITIC Trust, it will be fair and reasonable to consider the Investment Products and Entrusted Investment Services on a preferred basis as CITIC Trust is one of the most reputable and reliable trust companies in the PRC and therefore in the interests of the Company and its shareholders as a whole. Party A will purchase the Investment Products with its legally owned funds pursuant to the specific purchase agreements to be entered into between Party A and Party B.

(2) Entrusted Investment Services

Party A will entrust its legally owned funds to Party B and Party B will provide Entrusted Investment Services, including but not limited to equity trust service, property trust service and asset-backed securitization service, to Party A pursuant to the specific entrusted investment service agreements to be entered into between Party A and Party B.

(3) Other Investment Cooperation

Party A and Party B may initiate Other Investment Cooperation in compliance with relevant laws and regulations.

6. Pricing basis

The pricing of the Investment Products and Entrusted Investment Services shall be jointly determined by Party A and Party B through negotiation with reference to the prevailing market terms of similar investment products or entrusted investment services offered by other independent financial institutions in the PRC at the time of entering into the specific agreements under the Investment and Wealth Management Cooperation Framework Agreement. Party B has agreed that, in principle, the terms and conditions of the Investment Products and Entrusted Investment Services offered by Party B to Party A shall be no less favourable than the terms and conditions offered by Party B to other independent third parties for providing similar investment products or entrusted investment services. With a view to ensure the terms and conditions offered by Party B will be at least equivalent to the terms and conditions offered by other financial institutions in the PRC, the Company will designate relevant personnel of the financial department of the Company to conduct searches on the market terms and conditions of similar products or services before entering into specific purchase agreements or entrusted investment service agreements with Party B. In addition, the Company will,

LETTER FROM THE BOARD

on its best efforts, obtain prices or quotations for similar products or services from other independent third parties and will compare the terms and conditions to ensure the Investment Products and/or the Entrusted Investment Services are fair to the Company.

The Directors confirmed that the pricing basis agreed between the Company and CITIC Trust for providing the Investment Products and Entrusted Investment Services is negotiated on an arm's length basis. With the relevant internal control measures mentioned in the section E of this circular, the Directors believe that the transactions to be conducted by the Company in relation to the Investment Products and the Entrusted Investment Services will be based on normal commercial terms. Based on such and taking the ranking, assets scale and reputation of CITIC Trust into consideration, the Directors are of the view that such pricing basis is fair and reasonable and is in the interests of the Company and its shareholders as a whole.

7. Termination and renewal

Either party to the Investment and Wealth Management Cooperation Framework Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Investment and Wealth Management Cooperation Framework Agreement is renewable for another term of three (3) 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 at least thirty (30) days prior written notice to the counterparty accordingly. For the avoidance of doubt, the Investment and Wealth Management Cooperation Framework Agreement shall not be renewed without approval from the Board and/or the Independent Shareholders.

8. Historical transaction values and Annual Caps

The Company confirms that there were no historical transaction values available since the Company did not have any historical investment transactions with CITIC Trust in the past.

Pursuant to the Investment and Wealth Management Cooperation Framework Agreement, the maximum daily investment balance (including expected accrued investment returns) of Party A with Party B under the Investment Products, Entrusted Investment Services and Other Investment Cooperation within the term of the Investment and Wealth Management Cooperation Framework Agreement should not exceed RMB8,000,000,000 (equivalent to approximately HK\$9,020,996,000).

	For the period from 3 December 2018 to 31 December 2018 (RMB)	For the financial year ending 31 December 2019 (RMB)	For the financial year ending 31 December 2020 (RMB)
Annual Caps	8,000,000,000	8,000,000,000	8,000,000,000

LETTER FROM THE BOARD

The Annual Caps for the period commencing on 3 December 2018 and ending on 31 December 2020 are determined with reference to the balance of cash and cash equivalents of the Group of approximately RMB36,547,754,000 (equivalent to approximately HK\$41,212,144,000) as of 30 June 2018. Considering the Group's financial resources, monetary funds and operation needs, including the balance of cash and cash equivalent of the Group as at 30 June 2018, the current debts of the Group as at 30 June 2018 and the monthly expenses of the Group as indicated by the total expenses of the Group of approximately RMB4,211,000,000 (equivalent to approximately HK\$4,748,427,000) for the six months ended 30 June 2018, the Company intends to invest part of the cash and cash equivalent of the Group at Party B. The Annual Caps of RMB8,000,000,000 (equivalent to approximately HK\$9,020,996,000) represent only approximately 21.9% of the balance of cash and cash equivalents of the Group as at 30 June 2018 and therefore the Directors are of the view that the Annual Caps are set at a reasonable level and the remaining cash and cash equivalents of the Group will still be able to meet the Group's operational needs. The Directors confirm that before making decisions to enter into any specific purchase agreements or entrusted investment service agreements, the management of the Company will take into consideration a series of factors, such as the then cash and cash equivalent of the Group, the operation capital requirements and debt level of the Group. With a view to ensure the stable operation of the Group, as a general principle, if the total outstanding investment with Party B exceeds 30% of the then balance of cash and cash equivalents of the Group, the Group will not make further investment with Party B.

On the other hand, the Company has no intention to invest all of the cash and cash equivalent of the Group at Party B with a view to enhance risk management and liquidity management. The Company believes that investing part but not all of the Group's cash and cash equivalent at Party B will help lower the commercial risk exposed to the Company (if any) and will provide the Company with more flexibility in relation to liquidity management. Taking the above factors into account, the Company determined that the maximum daily investment balance (including expected accrued investment returns) should not exceed RMB8,000,000,000 (equivalent to approximately HK\$9,020,996,000).

C. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The reasonable use of temporary idle funds of the Group under the Investment and Wealth Management Cooperation Framework Agreement will bring higher returns to the Company compared with fixed term deposits in commercial banks in the PRC. Based on the public information in relation to CITIC Trust, among others, it was recognized as the best China trust company by the Asian Banker in 2018 and was ranked No. 1 of the PRC trust companies by Use Finance & Trust Research Institute (用益金融信託研究院) based on its financial data for the year of 2017. Having considered that CITIC Trust is one of the most reputable trust companies in the PRC with abundant investment management experiences and the investment risk of the Investment Products and Entrusted Investment Services provided by Party B are quite low based on its historic record, ranking, asset scale and reputation, the Directors are of the view that such investment would not impact the liquidity

LETTER FROM THE BOARD

or business operation of the Company since the Annual Caps only represent approximately 21.9% of the balance of the Group's cash and cash equivalent as at 30 June 2018 and entering into the Investment and Wealth Management Cooperation Framework Agreement is consistent with the Company's policy to enhance funds utilization efficiency and ensure capital safety.

The Directors consider that the Continuing Connected Transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement are in the ordinary and usual course of business of the Company and that the terms and conditions of the Investment and Wealth Management Cooperation 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 Group and the Shareholders as a whole.

D. 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, representing 10.11% of the total issued Shares, 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 substantial shareholder and a connected person of the Company. CITIC Trust is also an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司). Therefore, CITIC Trust is an associate of CITIC Group Corporation (中國中信集團有限公司) and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Continuing Connected Transactions exceeds 5% but is less than 25%, the Continuing Connected Transactions constitute (a) discloseable transactions of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules; and (b) non-exempt continuing connected transactions of the Company subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

E. INTERNAL CONTROL PROCEDURES

The Company has adopted the following internal control measures to ensure that the Continuing Connected Transactions are in accordance with the terms of the Investment and Wealth Management Cooperation Framework Agreement and in compliance with the Listing Rules:

- (1) the cash settlement personnel in finance department of the Company will conduct searches on the market terms and conditions of similar investment products or entrusted investment services and obtain prices or quotations for similar investment products or entrusted investment services from other independent financial institutions in the PRC and then compare the terms and conditions of the Investment Products or Entrusted Investment Services offered by Party B with the

LETTER FROM THE BOARD

terms and conditions offered by other independent financial institutions in the PRC for providing similar investment products or entrusted investment services to ensure that the terms and conditions of the Investment Products or Entrusted Investment Services offered by Party B are no less favourable than the terms and conditions offered by other independent financial institutions in the PRC for providing similar investment products or entrusted investment services and will also compare the terms and conditions of the Investment Products or Entrusted Investment Services offered by Party B to Party A with the terms and conditions offered by Party B to other independent third parties for providing similar investment products or entrusted investment services to ensure that the terms and conditions of the Investment Products or Entrusted Investment Services offered by Party B to Party A are no less favourable than the terms and conditions offered by Party B to other independent third parties for providing similar investment products or entrusted investment services;

- (2) the cash settlement personnel in finance department of the Company will record the investment balance (including expected accrued investment returns) of Party A with Party B under the Investment Products, Entrusted Investment Services and Other Investment Cooperation on a daily basis to ensure that the maximum daily investment balance (including expected accrued investment returns) doesn't exceed RMB8,000,000,000 (equivalent to approximately HK\$9,020,996,000);
- (3) the head of finance department of the Company shall provide advice to the management of the Company who is responsible for approval of the specific purchase agreements or entrusted investment service agreements to be entered into with Party B after reviewing (i) the terms and conditions comparison conducted by the cash settlement personnel as mentioned in (1) above; (ii) the then operating cash requirement of the Group; and (iii) the then investment balance (including expected accrued investment returns) of Party A with Party B compared to the then cash balance of the Group, and shall also monitor and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Investment and Wealth Management Cooperation Framework Agreement;
- (4) the Board will continue to annually review the Company's internal control systems and their effectiveness; and
- (5) 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.

LETTER FROM THE BOARD

F. EGM

The notice of the EGM is set out on pages 33 to 34 of this circular. At the EGM, the Company proposes to seek the approvals of the Independent Shareholders relating to the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions thereunder (including the Annual Caps).

As at the Latest Practicable Date, 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, representing 10.11% of the total issued Shares. 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, as 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), which control over the voting right in respect of their Shares in the Company, are associates of CITIC Trust and thus have a material interest in the Continuing Connected Transactions, they 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 Investment and Wealth Management Cooperation Framework Agreement or the Annual Caps at the EGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The Independent Board Committee will advise the Independent Shareholders in relation to their voting on the resolutions relating to the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hongqiaochina.com) respectively. Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor

LETTER FROM THE BOARD

Services Limited, at 17M Floor Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish and in such event, the form of proxy shall be deemed to be revoked.

G. RECOMMENDATION

The Board is of the opinion that the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group, and that the terms of the Investment and Wealth Management Cooperation Framework Agreement (including the Annual Caps) are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the resolution set out in the notice of the EGM for the approval of the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

Mr. Chen Yisong (Mr. Zhang Hao as his alternate) is interested in the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder as he is the chairman of the board of CITIC Trust, and therefore had abstained from voting on the relevant resolutions at the Board meeting approving the same.

H. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi, has been formed to advise the Independent Shareholders in relation to their voting on the resolution in respect of the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

I. CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Thursday, 10 January 2019 to Tuesday, 15 January 2019 (both days inclusive), during which no transfer of Shares will be effected. In order to be entitled to attend the EGM of the Company and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Wednesday, 9 January 2019. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

LETTER FROM THE BOARD

J. GENERAL INFORMATION

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

CITIC Trust is principally engaged in the management of fund trust, chattel trust, real estate trust, securities trust, other property trusts and investment funds.

CITIC Group Corporation (中國中信集團有限公司) is a wholly state-owned company, principally engaged in financial services, internet information services and the investment and development of resources and energy, manufacturing, engineering contracting and real estate.

K. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Zhang Shiping
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

21 December 2018

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
INVESTMENT AND WEALTH MANAGEMENT COOPERATION
FRAMEWORK AGREEMENT**

We have been appointed as members of the Independent Board Committee to consider the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps), details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated 21 December 2018 (the “**Circular**”), of which this letter forms part, and to advise you as to the fairness and reasonableness of the same. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the Investment and Wealth Management Cooperation Framework Agreement (including the Annual Caps) and the advice and opinion of Lego Corporate Finance Limited in relation thereto as set out on pages 15 to 27 of the Circular, we are of the opinion that (i) the Investment and Wealth Management Cooperation Framework Agreement was entered into in the ordinary and usual course of business with normal commercial terms; and (ii) the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Investment and Wealth Management Cooperation Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,

Independent Board Committee

Xing Jian

*Independent non-executive
Director*

Han Benwen

*Independent non-executive
Director*

Dong Xinyi

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which have been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Investment and Wealth Management Cooperation Framework Agreements and the transactions contemplated thereunder.



21 December 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Investment and Wealth Management Cooperation Framework Agreements and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 21 December 2018 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As disclosed in the Letter from the Board, the Company and CITIC Trust entered into the Investment and Wealth Management Cooperation Framework Agreement on 3 December 2018 for a term commencing on 3 December 2018 and ending on 31 December 2020, pursuant to which Party B will provide Investment Products, including but not limited to trust products, monetary funds and asset management plans, and Entrusted Investment Services to Party A and Party A and Party B may initiate Other Investment Cooperation.

CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 10.11% of the total issued Shares of the Company, are both indirect subsidiaries of CITIC Group Corporation and therefore CITIC Group Corporation is a substantial shareholder and a connected person of the Company. CITIC Trust is also an indirect subsidiary of CITIC Group Corporation. Therefore, CITIC Trust is an associate of CITIC Group Corporation and a connected person of the Company under the Listing Rules. Accordingly, the transactions

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contemplated under the Investment and Wealth Management Cooperation Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Continuing Connected Transactions exceeds 5% but is less than 25%, the Continuing Connected Transactions constitute (a) discloseable transactions of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules; and (b) non-exempt continuing connected transactions of the Company subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi, has been established to advise the Independent Shareholders as to whether the terms of the Investment and Wealth Management Cooperation Framework Agreement are fair and reasonable so far as the Company and Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the resolution to be proposed at the EGM to approve the Investment and Wealth Management Cooperation Framework Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Investment and Wealth Management Cooperation Framework Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and

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representations provided to us by the Directors and/or the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving at our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the Investment and Wealth Management Cooperation Framework Agreement

1.1. Information on the Group

The Group is principally engaged in the manufacture and sale of aluminum products. Set out below are the consolidated financial information of the Company for the six months ended 30 June 2018 and the two years ended 31 December 2017 as extracted from the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”) and annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”):

	Six months ended		Year ended	
	30 June		31 December	
	2018	2017	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	44,326,570	47,168,230	93,312,652	61,395,578
Profit for the year/ period	1,962,827	1,504,853	5,306,832	6,815,670

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	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Cash and cash equivalents	36,547,754	21,925,568	12,842,380
Net assets	59,247,112	53,216,866	45,688,302

As illustrated in the table above, revenue of the Group amounted to approximately RMB93,313 million for the year ended 31 December 2017, representing a substantial increase of approximately 52.0% as compared to that of approximately RMB61,396 million for the prior year. According to the 2017 Annual Report, such increase was mainly attributable to the increase in the Group's production volume and sales volume of aluminum products as well as the increase in selling price of aluminum products during the year. Despite the increase in revenue, net profit of the Group decreased by approximately 22.1% as compared to the prior year, which was primarily due to (i) the price increases of raw materials such as coal and carbon anode blocks during the year jacked up the unit production cost of aluminum products, which resulted in a decrease in the gross profit margin; and (ii) the Group shut down part of the production capacity in order to respond to the relevant policies and plans for the national supply-side reform of aluminum industry implemented by the government and had goodwill impairment arising from acquisition of a subsidiary making provision for impairment of assets.

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB21,926 million, representing an increase of approximately 70.7% compared to approximately RMB12,842 million as at 31 December 2016. The increase in cash and cash equivalents was mainly due to the continue increase in income from sale of the Group's products, resulting in a corresponding increase in net cash inflows from operating activities. According to the 2017 Annual Report, such cash and cash equivalents of the Group were mainly deposited in commercial banks. The Group had also established an appropriate liquidity risk management framework to secure the short-term, medium-term and long-term funding and to satisfy its liquidity risk management requirements.

For the six months ended 30 June 2018, the Group recorded revenue of approximately RMB44,327 million, representing a decrease of approximately 6.0% as compared to the corresponding period in the prior year. According to the 2018 Interim Report, such decrease was mainly due to the decrease in the Group's output and sales volume of aluminum products during the period as compared the prior year as the Group responded to the supply side reform in China aluminum industry in closing down some aluminum alloy products production lines in the second half of 2017. On the other hand, net profit of the Group amounted to approximately RMB1,963 million for the period, representing an increase of

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approximately 30.4% as compared to the corresponding period in the prior year, mainly due to the significant decrease in impairment loss of property, plant and equipment recognized for the period.

As at 30 June 2018, cash and cash equivalents of the Group further increased to approximately RMB36,548 million. The continuous increase in cash and cash equivalents was mainly due to the cash inflow from operating activities, investing activities and financing activities of the Group during the period. According to the 2018 Interim Report, such cash and cash equivalents of the Group were continued to be mainly deposited in commercial banks, and were sufficient to satisfy the Group's debts of approximately RMB25,421 million which will be due within a year.

1.2. Information on CITIC Trust

CITIC Group Corporation is a wholly state-owned company, principally engaged in financial services, internet information services and the investment and development of resources and energy, manufacturing, engineering contracting and real estate.

CITIC Trust is principally engaged in the management of fund trust, chattel trust, real estate trust, securities trust, other property trusts and investment funds. According to the website of CITIC Group Corporation, CITIC Trust is the largest trust company in the PRC in terms of assets under management with a full-range trust product portfolio, including securities investment, private equity fund, asset securitization, mezzanine fund, bond financing and trustee service, etc. Its assets under management are allocated in a wide range of fields such as infrastructure, securities market, industrial and commercial enterprises and real estate. As further noted from the annual report of CITIC Trust for the year ended 31 December 2017, the balance of asset under management of CITIC Trust amounted to approximately RMB1,987 billion as at 31 December 2017 and CITIC Trust had allocated profit of approximately RMB73 billion to the trust beneficiaries for the year ended 31 December 2017.

1.3. Reasons for and benefit of entering into the Investment and Wealth Management Cooperation Framework Agreement

With reference to the Letter from the Board, the reasonable use of temporary idle funds of the Group under the Investment and Wealth Management Cooperation Framework Agreement will bring higher returns to the Company compared with fixed term deposits in commercial banks in the PRC. Based on the public information in relation to CITIC Trust, among others, it was recognized as the best China trust company by the Asian Banker in 2018 and was ranked No. 1 of the PRC trust companies by Use Finance & Trust Research Institute (用益金融信託研究院) based on its financial data for the year of 2017. The Directors are of the view and we concur that since the Annual Caps only represents approximately 21.9% of the balance of the Group's cash and cash equivalent as at 30 June 2018, the setting of the Annual Caps and purchasing Investment Products or Entrusted Investment Service will not result in concentration risk. It is also noted that the

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Annual Caps represented approximately 71.9% of the Group's cash and cash equivalent as at 30 June 2018 after deducting its current debts, and the remaining cash after deducting the current debt and Annual Cap will be approximately RMB3,127 million. Having considered that (i) CITIC Trust is one of the most reputable trust companies in the PRC with abundant investment management experiences and the investment risk of the Investment Products and Entrusted Investment Services provided by Party B are quite low based on its historic record, ranking, asset scale and reputation; (ii) Party A is not obliged to purchase the Investment Products recommended by Party B; and (iii) even the Company invested up to the Annual Cap and repaid all the current debts, the remaining cash can still cover approximately 4.5 months expense requirement of the Company based on the six months total expenses of approximately RMB4,211 million, the Directors are of the view and we concur that such investment would not impact the liquidity or business operation of the Company, and the entering of the Investment and Wealth Management Cooperation Framework Agreement is consistent with the Company's policy to enhance funds utilization efficiency and ensure capital safety.

As noted from the paragraph headed "Information on CITIC Trust" above, CITIC is the largest trust company in terms of asset under management in the PRC with significant positive return generated for its trustee. On the other hand, the Group had cash and cash equivalents of approximately RMB36,548 million as at 30 June 2018, and such cash and cash equivalents were mainly deposited in commercial banks. Taking into account the Group shall still have idle cash of approximately RMB11,127 million following the repayment of debts that will be due within a year of approximately RMB25,421 million, we concur with the Directors that the entering into of the Investment and Wealth Management Cooperation Framework Agreement is in the interest of the Company and the Shareholders as a whole.

2. Principal terms of the Investment and Wealth Management Cooperation Framework Agreement

The principal terms of the Investment and Wealth Management Cooperation Framework Agreement are summarised as follows:

Date:	3 December 2018
Parties:	(1) The Company, including its subsidiaries ("Party A"); and (2) CITIC Trust, including its subsidiaries ("Party B")
Term:	commencing on 3 December 2018 and ending on 31 December 2020

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Subject matter: Pursuant to the Investment and Wealth Management Cooperation Framework Agreement, Party B will provide Investment Products, including but not limited to trust products, monetary funds and asset management plans, and Entrusted Investment Services to Party A and Party A and Party B may initiate Other Investment Cooperation.

(1) Investment Products

Party B may from time to time recommend its Investment Products, including but not limited to trust products, monetary funds and asset management plans, to Party A and assuming the commercial terms offered by Party B are comparable to those offered by other independent third parties in the PRC, Party A shall consider the Investment Products offered by Party B on a preferred basis. Taking the ranking, reputation and asset scale of CITIC Trust into consideration, the Company is of the view that with equivalent terms and conditions provided by CITIC Trust, it will be fair and reasonable to consider the Investment Products and Entrusted Investment Services on a preferred basis as CITIC Trust is one of the most reputable and reliable trust companies in the PRC and therefore in the interests of the Company and its shareholders as a whole. Party A will purchase the Investment Products with its legally owned funds pursuant to the specific purchase agreements to be entered into between Party A and Party B.

(2) Entrusted Investment Services

Party A will entrust its legally owned funds to Party B and Party B will provide Entrusted Investment Services, including but not limited to equity trust service, property trust service and asset-backed securitization service, to Party A pursuant to the specific entrusted investment service agreements to be entered into between Party A and Party B.

(3) Other Investment Cooperation

Party A and Party B may initiate Other Investment Cooperation in compliance with relevant laws and regulations.

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Termination and renewal: Either party to the Investment and Wealth Management Cooperation Framework Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Investment and Wealth Management Cooperation Framework Agreement is renewable for another term of three (3) 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 at least thirty (30) days prior written notice to the counterparty accordingly. For the avoidance of doubt, the Investment and Wealth Management Cooperation Framework Agreement shall not be renewed without approval from the Board and/or the Independent Shareholders.

Pricing basis: The pricing of the Investment Products and Entrusted Investment Services shall be jointly determined by Party A and Party B through negotiation with reference to the prevailing market terms of similar investment products or entrusted investment services offered by other independent financial institutions in the PRC at the time of entering into the specific agreements under the Investment and Wealth Management Cooperation Framework Agreement. Party B has agreed that, in principle, the terms and conditions of the Investment Products and Entrusted Investment Services offered by Party B to Party A shall be no less favourable than the terms and conditions offered by Party B to other independent third parties for providing similar investment products or entrusted investment services. With a view to ensure the terms and conditions offered by Party B will be at least equivalent to the terms and conditions offered by other financial institutions in the PRC, the Company will designate relevant personnel of the financial department of the Company to conduct searches on the market terms and conditions of similar products or services before entering into specific purchase agreements or entrusted investment service agreements with Party B. In addition, the Company will, on its best efforts, obtain prices or quotations for similar products or services from other independent third parties and will compare the terms and conditions to ensure the Investment Products and/or the Entrusted Investment Services are fair to the Company.

To ensure the terms of the Investment Products and Entrusted Investment Services are on normal commercial terms or on terms no less favourable than the terms and conditions offered by Party B to other independent third parties, the Group has implemented internal control measures procedures, details of which are set out in the paragraph headed “Internal Control Procedures” in the Letter from the Board.

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Based on our review of the internal control measures adopted by the Group, we noted that (i) the cash settlement personnel in finance department of the Company will conduct searches on the market terms and conditions of similar investment products or entrusted investment services and obtain prices or quotations for similar investment products or entrusted investment services from other independent financial institutions in the PRC and then compare the terms and conditions of the Investment Products or Entrusted Investment Services offered by Party B to Party A with (a) the terms and conditions offered by other independent financial institutions in the PRC; and (b) the terms and conditions offered by Party B to other independent third parties for providing similar investment products or entrusted investment services to ensure that the terms and conditions of the Investment Products or Entrusted Investment Services offered by Party B are no less favourable than (a) the terms and conditions offered by other independent financial institutions in the PRC and (b) the terms and conditions offered by Party B to other independent third parties; (ii) the head of finance department of the Company shall provide advice to the management of the Company who is responsible for approval of the specific purchase agreements or entrusted investment service agreements to be entered into with Party B after reviewing (a) the terms and conditions comparison stated in (i) above; (b) the then operating cash requirement of the Group; and (c) the then investment balance (including expected accrued investment returns) of Party A with Party B compared to the then cash balance of the Group, and shall also monitor and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Investment and Wealth Management Cooperation Framework Agreement; and (iii) the Board will continue to annually review the Company's internal control systems and their effectiveness, we consider that the internal control procedures are sufficient for the Company to monitor the Continuing Connected Transactions and the effective implementation of the procedures would help to ensure fair pricing of the Investment Products and Entrusted Investment Services to be provided by Party B under the Investment and Wealth Management Cooperation Framework Agreement in accordance to its pricing basis.

In addition, we also noted that pursuant to the terms of the Investment and Wealth Management Cooperation Framework Agreement, while Party A shall give priority to Party B's Investment Products if Party B and other independent financial institutions in the PRC offer equivalent terms and conditions for providing similar investment products, Party A is not obliged to purchase the Investment Products recommended by Party B, as such, the Directors are of the view and we concur that giving such priority will not constitute an obligation/ commitment to Party A. In light of the above and the internal control measures adopted by the Group shall ensure fair pricing of the Investment Products and Entrusted Investment Services, we concur with the Directors that the terms of the Investment and Wealth Management Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

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3. Historical transaction values and the Annual Caps

The Company confirms that there were no historical transaction values available since the Company did not have any historical investment transactions with CITIC Trust in the past.

Pursuant to the Investment and Wealth Management Cooperation Framework Agreement, the maximum daily investment balance (including expected accrued investment returns) of Party A with Party B under the Investment Products, Entrusted Investment Services and Other Investment Cooperation within the term of the Investment and Wealth Management Cooperation Framework Agreement should not exceed RMB8,000,000,000 (equivalent to approximately HK\$9,020,996,000).

	For the period from 3 December 2018 to 31 December 2018 (RMB)	For the financial year ending 31 December 2019 (RMB)	For the financial year ending 31 December 2020 (RMB)
Annual Caps	8,000,000,000	8,000,000,000	8,000,000,000

As confirmed by the Directors, the Annual Caps for the period commencing on 3 December 2018 and ending on 31 December 2020 are determined with reference to the balance of cash and cash equivalents of the Group of approximately RMB36,547,754,000 (equivalent to approximately HK\$41,212,144,000) as of 30 June 2018. Considering the Group's financial resources, monetary funds and operation needs, including the balance of the Group's cash and cash equivalent as at 30 June 2018, the current debts of the Group as at 30 June 2018 and the monthly expenses as indicated by the total expenses of approximately RMB4,211 million for the six months ended 30 June 2018, the Company intends to invest part of the cash and cash equivalent of the Group at Party B. The Annual Caps of RMB8,000,000,000 (equivalent to approximately HK\$9,020,996,000) represent only approximately 21.9% of the balance of cash and cash equivalents of the Group as at 30 June 2018 and therefore the Directors are of the view that the Annual Caps are set at a reasonable level and the remaining cash and cash equivalents of the Group will still be able to meet the Group's operational needs. The Directors of the Company confirms that before making decisions to enter into any specific purchase agreements or entrusted investment service agreements, the management of the Company will take into consideration a series of factors, such as the then cash and cash equivalent of the Group, the operation capital requirements and debt level of the Group. With a view to ensure the stable operation of the Group, as a general principle, if the total balance of investment with Party B exceeds 30% of the then balance of cash and cash equivalents of the Group, the Group will not make further investment with Party B. On the other hand, the Company has no intention to invest all of the cash and cash equivalent of the Group at Party B with a view to enhance risk management and liquidity management, and the head of finance department will provide advice to the management of the Company who is responsible for approval of the specific purchase agreements or entrusted investment service agreements to be entered into with Party B after reviewing, among others, the then investment balance (including expected accrued investment returns) of Party A with

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Party B compared to the then cash balance of the Group. The Company believes that investing part but not all of the Group's cash and cash equivalent at Party B will help lower the commercial risk exposed to the Company (if any) and will provide the Company with more flexibility in relation to liquidity management. Taking the above factors into account, the Company determined that the maximum daily investment balance (including expected accrued investment returns) should not exceed RMB8,000,000,000 (equivalent to approximately HK\$9,020,996,000).

In assessing the reasonableness of the Annual Caps, we have discussed with the Directors the basis and assumptions adopted in determining the Annual Caps. We understand that the Directors have taken into account, among other things, (i) the balance of cash and cash equivalents of the Group of approximately RMB36,548 million as at 30 June 2018; (ii) the total bank borrowings of the Group due within a year as at 30 June 2018 of RMB25,421 million; (iii) the Group's intention to bring higher returns from the idle cash and cash equivalents as compared with the fixed term deposits in commercial banks in the PRC; (iv) the Group shall only prioritized but not obliged to purchase Party B's Investment Products; and (v) the working capital required for the operation of the Group, in determining the Annual Caps.

Having considered that (i) the balance of cash and cash equivalents of the Group of approximately RMB36,548 million as at 30 June 2018, which represented approximately 4.6 times of the Annual Caps; (ii) the balance of cash and cash equivalents shall fully cover the amount of debts due within one year of the Group of approximately RMB25,421 million with spare balance of approximately RMB11,127 million; (iii) it is reasonable for the Group to invest spare funds in a reputable trust company given that the yield of the Investment Products of Party B were generally higher than the interests rate of fixed term deposits currently maintained by the Group; and (iv) the Company will not invest all of the cash and cash equivalent of the Group at Party B in order to enhance risk management and liquidity management, we consider that the Annual Caps is not excessive and thus fair and reasonable so far as the Independent Shareholders are concerned.

4. Annual review of the Continuing Connected Transactions

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement are subject to the following requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual reports that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole;

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- (ii) the Company must engage its auditors to report on the continuing connected transactions for each financial year of the Company and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
- have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps.

Furthermore, according to the internal control procedures adopted by the Group as disclosed in the Letter from the Board, the cash settlement personnel in finance department of the Company will record the investment balance (including expected accrued investment returns) of Party A with Party B under the Investment Products, Entrusted Investment Services and Other Investment Cooperation on a daily basis to ensure that the maximum daily investment balance (including expected accrued investment returns) doesn't exceed RMB8,000 million. In view of the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company as well as the regular checks of the Group's internal audit department and the management of the Group, we are of the view that appropriate measures will be in place to govern the conduct of the transactions contemplated under the Investment and Wealth Management Cooperation Framework Agreement and safeguard the interests of the Independent Shareholders.

RECOMMENDATIONS

Having considered the principal factors and reasons as discussed above, we are of the opinion that, although the entering into of Investment and Wealth Management Cooperation Framework Agreement is not conducted in the ordinary and usual course of business of the Group, the terms of the Investment and Wealth Management Cooperation Framework Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the entering into of Investment and Wealth Management Cooperation Framework Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Investment and Wealth Management Cooperation Framework Agreement and the transactions contemplated thereunder.

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Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the finance and investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of director	Type of interest	Number of total Shares held	Approximate percentage of shareholding in issued Shares (%)
Mr. ZHANG Shiping ⁽¹⁾	Interest of a controlled corporation	6,076,513,573	70.04
Ms. ZHENG Shuliang ⁽²⁾	Interest of spouse	6,076,513,573	70.04
Mr. ZHANG Bo ⁽³⁾	Beneficial owner	8,870,000	0.10

Notes:

- (1) The interests of Mr. Zhang Shiping in the Company were held through his wholly-owned investment company China Hongqiao Holdings Limited (“**Hongqiao Holdings**”).
- (2) Ms. Zheng Shuliang, the spouse of Mr. Zhang Shiping, is deemed to be interested in all the Shares in which Mr. Zhang Shiping is interested.
- (3) Mr. Zhang Bo is the son of Mr. Zhang Shiping and Ms. Zheng Shuliang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company nor their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations

(within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

- (i) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, apart from their service contracts.
- (ii) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to any Directors or the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) have interests or short positions in the shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity/ type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Shiping Prosperity Private Trust Company ⁽¹⁾	Trustee	6,076,513,573 (L)	70.04
Hongqiao Holdings ⁽¹⁾	Beneficial owner	6,076,513,573 (L)	70.04
CTI Capital Management Limited ⁽²⁾	Beneficial owner	806,640,670 (L)	9.30
CNCB (Hong Kong) Investment Limited ⁽²⁾	Beneficial owner	70,544,156 (L)	0.81
CITIC Limited ⁽²⁾	Interest of a controlled corporation	877,184,826 (L)	10.11
CITIC Group Corporation ⁽²⁾	Interest of a controlled corporation	877,184,826 (L)	10.11

Notes:

- (1) Shipping Prosperity Private Trust Company, as the trustee, holds such interests in shares on behalf of Mr. Zhang Shiping.
- (2) CITIC Group Corporation held 100% interest in CITIC Polaris Limited, which held 32.53% interest in CITIC Limited, and CITIC Group Corporation also held 100% interest in CITIC Glory Limited, which held 25.60% interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% interest in CITIC Limited. CITIC Limited held 100% interest in CITIC Corporation Limited. CITIC Corporation Limited held 80% interest in CITIC Trust Co., Ltd. and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 20% interest in CITIC Trust Co., Ltd. Thus CITIC Corporation Limited directly and indirectly held 100% interest in CITIC Trust Co., Ltd. CITIC Trust Co., Ltd held 100% interest in CTI Capital Management Limited, and thus CITIC Group Corporation and CITIC Limited are deemed to be interested in the Shares held by CTI Capital Management Limited under the SFO.

In addition, CITIC Limited held 65.37% interest in China CITIC Bank Corporation Limited. China CITIC Bank Corporation Limited held 99.05% interest in CNCB (Hong Kong) Investment Limited and 100% interest in CITIC International Financial Holdings Limited, which held 75% interest in CITIC International Financial Holdings Limited, which held 0.95% interest in CNCB (Hong Kong) Investment Limited, and thus China CITIC Bank Corporation Limited directly and indirectly held 99.7625% interest in CNCB (Hong Kong) Investment Limited. CITIC Group Corporation and CITIC Limited are deemed to be interested in the Shares held by CNCB (Hong Kong) Investment Limited under the SFO.

Save as disclosed above, so far as known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, there was no other person (not being a Director or chief executive of the Company) who had any interest or short position in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation, other than statutory compensation.

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and his/her respective associate(s) was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2017, being the date to which the latest audited financial statements of the Group were made up.

8. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. EXPERT AND CONSENT

The following is the qualifications of the expert who has given opinion or advice, which is contained in this circular:

Name	Qualifications
Lego Corporate Finance Limited	a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity as defined in the SFO

Lego Corporate Finance Limited has given its consent and confirmed that it has not withdrawn its consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, (i) Lego Corporate Finance Limited had no interest, either direct or indirect, in any assets which have been, since 31 December 2017, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) Lego Corporate Finance Limited had no shareholding interests, either direct or indirect, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate any persons to subscribe for securities in any members of the Group.

10. MISCELLANEOUS

- (i) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.
- (ii) The address of the head office of the Company is Huixian One Road, Zouping Economic Development District, Zouping City, Shandong Province, the PRC.
- (iii) The principal place of business of the Company in Hong Kong is Suite 5108, The Center, 99th Queen's Road Central, Central, Hong Kong.
- (iv) The Company's H share registrar and transfer office in Hong Kong is at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

- (v) The secretary of the Company is Ms. Zhang Yuexia, who was accepted by the Stock Exchange as an individual who meets the requirements of a secretary under Rule 8.17 of the Listing Rules.
- (vi) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suite 5108, The Center, 99th Queen's Road Central, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of the circular:

- (a) the articles of association of the Company;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (c) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 15 to 27 of the circular;
- (d) the written consent from the Independent Financial Adviser;
- (e) the Investment and Wealth Management Cooperation Framework Agreement; and
- (f) this circular.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Hongqiao Group Limited (the “**Company**”) will be held at the Conference Hall on 8th Floor, Company Office Building, No. 12, Wei Fang Road, Economic Development District, Zouping City, Shandong Province, the People’s Republic of China on Tuesday, 15 January 2019 at 9:00 a.m., to consider and, if thought fit, approve the following resolutions. Unless the context otherwise requires, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 21 December 2018 (the “**Circular**”).

AS ORDINARY RESOLUTION

“THAT:

- (a) the Investment and Wealth Management Cooperation Framework Agreement entered into between the Company and CITIC Trust on 3 December 2018 be and is hereby approved and confirmed;
- (b) the maximum daily investment balance (including expected accrued investment returns) of Party A with Party B under the Investment Products, Entrusted Investment Services and Other Investment Cooperation for the period commencing on 3 December 2018 and ending on 31 December 2020 (the “**Annual Caps**”) be and are hereby approved and confirmed; and
- (c) any director of the Company be and is hereby authorised to do further acts and things, enter into all such transactions and arrangements, execute such other documents and/or deeds and/or take all such steps, which in their opinion may be necessary, desirable or expedient to implement the Investment and Wealth Management Cooperation Framework Agreement and the transactions thereunder, and the Annual Caps.”

By order of the Board
Zhang Shiping
Chairman

Hong Kong, 21 December 2018

NOTICE OF THE EGM

As at the date of this notice, the Board comprises ten directors, namely Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo and Ms. Zhang Ruilian as executive directors, Mr. Yang Congsen, Mr. Zhang Jinglei and Mr. Chen Yisong (Mr. Zhang Hao as his alternate) as non-executive directors, and Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive directors.

Notes:

- (a) Any shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on behalf of him/her. A proxy needs not be a Shareholder. A Shareholder who is the holder of two or more shares of the Company (the “**Shares**”) may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
- (b) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and, in such event, the form of proxy shall be deemed to be revoked.
- (c) The share register of the Company will be closed from Thursday, 10 January 2019 to Tuesday, 15 January 2019 (both days inclusive), during which no transfer of Shares will be effected. In order to be entitled to attend the forthcoming EGM of the Company and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Wednesday, 9 January 2019. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) Where there are joint registered holders of any Shares, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most, or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand in the register in respect of the relevant joint holding.
- (e) The EGM is expected to last half a day. Shareholders attending the EGM should be responsible for their own transportation and accommodation expenses.