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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)

RENEWAL OF DISCLOSEABLE TRANSACTIONS RENEWED INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT

RENEWAL OF DISCLOSEABLE TRANSACTIONS

Reference is made to the announcement of the Company dated 3 December 2018. According to the aforesaid announcement, among others, the Company and CITIC Trust entered into the Old Investment and Wealth Management Cooperation Framework Agreement on 3 December 2018 in relation to the investment products, entrusted investment services and other investment cooperation for the period from 3 December 2018 to 31 December 2020.

The Board announces that the Company and CITIC Trust entered into the Renewed Investment and Wealth Management Cooperation Framework Agreement on 24 December 2020 for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both dates inclusive), pursuant to which Party B will provide the Investment Products, the Entrusted Investment Services and the Entrusted Services to Party A and Party A and Party B may initiate the Other Investment Cooperation. Except for the addition of the Entrusted Services, the terms and conditions of the Renewed Investment and Wealth Management Cooperation Framework Agreement are basically the same as those of the Old Investment and Wealth Management Cooperation Framework Agreement.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Renewed Investment and Wealth Management Cooperation Framework Agreement exceeds 5% but is less than 25%, such transactions constitute discloseable transactions of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules.

A. THE RENEWED INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT

Except for the addition of the Entrusted Services, the terms and conditions of the Renewed Investment and Wealth Management Cooperation Framework Agreement are basically the same as those of the Old Investment and Wealth Management Cooperation Framework Agreement. The material terms of the Renewed Investment and Wealth Management Cooperation Framework Agreement are set out as follows:

1. Date

24 December 2020

2. Parties

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

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Party B and its ultimate beneficial owners are third parties independent of the Company and its connected person(s) (as defined under the Listing Rules).

3. Transaction nature

The Company and CITIC Trust entered into the Renewed Investment and Wealth Management Cooperation Framework Agreement on 24 December 2020 for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both dates inclusive), pursuant to which Party B will provide the Investment Products, the Entrusted Investment Services and the Entrusted Services to Party A and Party A and Party B may initiate the Other Investment Cooperation.

4. 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 that 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 offered by Party B, it will be fair and reasonable to consider the Investment Products 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 the 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) *Entrusted Services*

Party B will provide Party A with the Entrusted Services in relation to asset-backed securities or other financial products and agency or underwriting business pursuant to the specific entrusted service agreements to be entered into between Party A and Party B. And assuming that the commercial terms offered by Party B are comparable to those offered by other independent third parties in the PRC, Party A shall consider entrusting Party B as the trustee for asset-backed securities or other financial products and agency or underwriting business to provide intermediary or underwriting services on a preferred basis. Taking the ranking and reputation of CITIC Trust into consideration, the Company is of the view that with equivalent terms and conditions offered by Party B, it will be fair and reasonable to consider the Entrusted 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.

(4) *Other Investment Cooperation*

Party A and Party B may initiate the Other Investment Cooperation through negotiation in compliance with relevant laws and regulations, and Party B may provide Party A with relevant professional services (including but not limited to intermediary services).

5. Pricing basis

The pricing of the Investment Products, the Entrusted Investment Services and the Entrusted Services shall be jointly determined by Party A and Party B through negotiation with reference to the prevailing market terms of similar investment products, entrusted investment services or entrusted services offered by other independent financial institutions in the PRC at the time of entering into the specific agreements under the Renewed Investment and Wealth Management Cooperation Framework Agreement. Party B has agreed that, in principle, the terms and conditions of the Investment Products, the Entrusted Investment Services and the Entrusted 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, entrusted investment services or entrusted 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 independent 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, entrusted investment service agreements or entrusted 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 financial institutions in the PRC and will compare the terms and conditions to ensure the Investment Products, the Entrusted Investment Services and the Entrusted 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, the Entrusted Investment Services and the Entrusted Services is negotiated on an arm's length basis. 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.

6. Termination and renewal

Either party to the Renewed Investment and Wealth Management Cooperation Framework Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Renewed 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 Renewed Investment and Wealth Management Cooperation Framework Agreement shall not be renewed without approval from the Board and/or the independent Shareholders (if necessary).

7. Transaction values

The Company confirms that since the Company did not have any historical transactions with CITIC Trust relating to entrusted services in the past, there are no historical transaction values relating to entrusted services. The historical maximum daily investment balance (including accrued investment returns) under the Old Investment and Wealth Management Cooperation Framework Agreement for the period from 3 December 2018 to 31 December 2019 and the financial year ending 31 December 2020 are as follows:

	For the period from 3 December 2018 to 31 December 2018	For the financial year ended 31 December 2019	For the financial year ending 31 December 2020
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Historical maximum daily investment balance (including accrued investment returns)	0	1,002,005,000	2,571,303,000 ¹

Note 1: The estimated maximum daily investment balance (including expected accrued investment returns) for the financial year ending 31 December 2020 was calculated with reference to the actual maximum daily investment balance (including accrued investment returns) for the eleven months ended 30 November 2020 (i.e. approximately RMB2,555,761,000) and the expected accrued investment returns for the one month ending 31 December 2020.

Pursuant to the Renewed 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, the Entrusted Investment Services and the Other Investment Cooperation within the term of the Renewed Investment and Wealth Management Cooperation Framework Agreement should not exceed RMB6,000,000,000 (equivalent to approximately HK\$7,095,386,000).

	For the financial year ending 31 December		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Maximum daily investment balance (including expected accrued investment returns)	6,000,000,000	6,000,000,000	6,000,000,000

The maximum daily investment balance (including expected accrued investment returns) for the three financial years ending 31 December 2023 are determined with reference to the balance of cash and cash equivalents of the Group of approximately RMB41,079,476,000 (equivalent to approximately HK\$48,579,121,000) as of 30 June 2020. 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 2020, the current debts of the Group as at 30 June 2020 and the monthly expenses of the Group, the Company intends to invest part of the cash and cash equivalent of the Group at Party B. The maximum daily investment balance (including expected accrued investment returns) of RMB6,000,000,000 (equivalent to approximately HK\$7,095,386,000) represents only approximately 14.61% of the balance of cash and cash equivalents of the Group as at 30 June 2020 and therefore the Directors are of the view that the maximum daily investment balance (including expected accrued investment returns) 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, 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 25% 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 RMB6,000,000,000 (equivalent to approximately HK\$7,095,386,000).

Set out below are the maximum annual service fees which are estimated to be payable by Party A to Party B under the Entrusted Services for the three financial years ending 31 December 2023:

	For the financial year ending 31 December		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Maximum annual service fees	18,000,000	23,400,000	30,420,000

The maximum annual service fees for the three financial years ending 31 December 2023 were determined with reference to the estimated asset values of the asset-backed securities or other financial products for which Party A will require the Entrusted Services from Party B for each year and the estimated service fee rate for the Entrusted Services.

The estimated asset value of the asset-backed securities or other financial products under the Entrusted Services for the financial year ending 31 December 2021 is approximately RMB6,000,000,000, which was determined with reference to the expected scale of the Group's relevant business for the financial year ending 31 December 2021. The estimated asset value for each of the two financial years ending 31 December 2023 represents a growth rate of approximately 30% from that of the previous year, which was determined with reference to the expected growth rate of the Group's relevant business. The service fee rate for the Entrusted Services is determined with reference to the customary service fee rate range of the trust industry in the PRC.

B. REASONS AND BENEFITS FOR ENTERING INTO THE RENEWED INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT

The reasonable use of temporary idle funds of the Group under the Renewed Investment and Wealth Management Cooperation Framework Agreement will bring higher returns to the Company as 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" in 2019 by the Asian Banker and was awarded "2020 China Outstanding Trust Company Award" by Securities Times. 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 the Entrusted Investment Services to be 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 or business operation of the Company since the maximum daily investment balance (including expected accrued investment returns) for the three financial years ending 31 December 2023 only represent approximately 14.61% of the balance of the Group's cash and cash equivalent as at 30 June 2020 and entering into the Renewed Investment and Wealth Management Cooperation Framework Agreement is consistent with the Company's policy to enhance funds utilization efficiency and ensure capital safety. In addition, considering the experience and reputation of CITIC Trust and the ability of Party B to provide high-quality Entrusted Services, the Directors are of the view that entrusting Party B as the trustee of asset-backed securities or other financial products of the Group is of commercial benefit to the Group as a whole.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Renewed Investment and Wealth Management Cooperation Framework Agreement have been negotiated on an arm's length basis, and are on normal commercial terms and fair and reasonable, and the transactions contemplated under the Renewed Investment and Wealth Management Cooperation Framework Agreement are in the interests of the Company and the Shareholders as a whole.

C. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Renewed Investment and Wealth Management Cooperation Framework Agreement exceeds 5% but is less than 25%, such transactions constitute discloseable transactions of the Company subject to the notification, reporting and announcement requirements under Chapter 14 of the Listing Rules.

D. GENERAL

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.

E. DEFINITIONS

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

“Board”	the board of Directors
“CITIC Trust”	中信信托有限責任公司 (CITIC Trust Co., Ltd.), 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)
“Director(s)”	the director(s) of the Company
“Entrusted Investment Services”	the entrusted investment services to be provided by Party B to Party A under the Renewed Investment and Wealth Management Cooperation Framework Agreement, including but not limited to equity trust service, property trust service and asset-backed securitization service
“Entrusted Services”	the intermediary or underwriting services to be provided by Party B to Party A as the trustee for asset-backed securities or other financial products and agency or underwriting business under the Renewed Investment and Wealth Management Cooperation Framework Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Investment Products”	the investment products to be provided by Party B to Party A under the Renewed Investment and Wealth Management Cooperation Framework Agreement, including but not limited to trust products, monetary funds and assets management plans
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Old 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 in relation to the investment products, entrusted investment services and other investment cooperation for the period from 3 December 2018 to 31 December 2020
“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 Renewed Investment and Wealth Management Cooperation Framework Agreement, and Party B may provide Party A with relevant professional services (including but not limited to intermediary services)
“PRC”	the People’s Republic of China
“Renewed Investment and Wealth Management Cooperation Framework Agreement”	the investment and wealth management cooperation framework agreement entered into between the Company and CITIC Trust on 24 December 2020 for a term of three years commencing on 1 January 2021 and ending on 31 December 2023 (both dates inclusive), pursuant to which Party B will provide the Investment Products, the Entrusted Investment Services and the Entrusted Services to Party A and Party A and Party B may initiate the Other Investment Cooperation
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the Shares
“Share(s)”	the ordinary share(s) of US\$0.01 each in the share capital of the Company
“%”	per cent

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB0.84562 = 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.

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

Shandong, the PRC
24 December 2020

As at the date of this announcement, the Board comprises nine Directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang 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.