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China Hongqiao Group Limited

中國宏橋集團有限公司

(Incorporated under the laws of Cayman Islands with limited liability)

(Stock Code: 1378)

CONTINUING CONNECTED TRANSACTIONS

This announcement is made by the Company pursuant to Rule 14A.60 of the Listing Rules.

Reference is made to the announcement of the Company dated 24 December 2020 in relation to the Renewed Investment and Wealth Management Cooperation Framework Agreement dated 24 December 2020 entered into between the Company and CITIC Trust 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 agreed to 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. In addition, during the period from October 2021 to February 2023, the Group has entered into the Financing Agreements with the CITIC Bank in relation to the provision of loans or credit by the CITIC Bank to the Group, which, as at the date of this announcement, are still subsisting.

It has come to the attention of the Board that each of CITIC Trust and the CITIC Bank has become a connected person of the Company under Chapter 14A of the Listing Rules. Whilst the terms of the Renewed Investment and Wealth Management Cooperation Framework Agreement and the Financing Agreements remain unchanged, the continuing transactions thereunder have therefore become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements (including publishing an announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the Renewed Investment and Wealth Management Cooperation Framework Agreement and the Financing Agreements and the transactions thereunder. In the event that the Renewed Investment and Wealth Management Cooperation Framework Agreement and/or the Financing Agreements are varied or renewed, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 24 December 2020 in relation to the Renewed Investment and Wealth Management Cooperation Framework Agreement dated 24 December 2020 entered into between the Company and CITIC Trust 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 agreed to 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. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of the Renewed Investment and Wealth Management Cooperation Framework Agreement, CITIC Trust and its ultimate beneficial owners were not connected person(s) (as defined under the Listing Rules) of the Company.

In addition, during the period from October 2021 to February 2023, the Group has entered into the Financing Agreements with the CITIC Bank in relation to the provision of loans or credit by the CITIC Bank to the Group, which, as at the date of this announcement, are still subsisting.

It has come to the attention of the Board that each of CITIC Trust and the CITIC Bank has become a connected person of the Company under Chapter 14A of the Listing Rules. Whilst the terms of the Renewed Investment and Wealth Management Cooperation Framework Agreement and the Financing Agreements remain unchanged, the continuing transactions thereunder have therefore become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The relevant information of the Renewed Investment and Wealth Management Cooperation Framework Agreement and the Financing Agreements are disclosed in this announcement in compliance with Rule 14A.60(1) of the Listing Rules.

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 as set out in the announcement of the Company dated 3 December 2018. 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**”)

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 agreed to 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 is fair and reasonable to consider purchasing the Investment Products from Party B 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 agreed to 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 securitisation 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 agreed to 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 is fair and reasonable to consider engaging Party B for 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 ensuring 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

As disclosed in the announcement of the Company dated 24 December 2020, the Company confirms that since the Company did not have any historical transactions with CITIC Trust relating to the Entrusted Services before the execution of the Renewed Investment and Wealth Management Cooperation Framework Agreement, there are no historical transaction values relating to the Entrusted Services therebefore. 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 2020 are as follows:

	For the period from 3 December 2018 to 31 December 2018 (RMB)	For the financial year ended 31 December 2019 (RMB)	For the financial year ended 31 December 2020 (RMB)
Historical maximum daily investment balance (including accrued investment returns)	0	1,002,005,000	2,543,732,100

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.

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

The historical maximum daily investment balance (including accrued investment returns) under the Renewed Investment and Wealth Management Cooperation Framework Agreement for the two financial years ended 31 December 2022 are as follows:

	For the financial year ended	
	31 December	
	2021	2022
	<i>(RMB)</i>	<i>(RMB)</i>
Historical maximum daily investment balance (including expected accrued investment returns)	<u>2,550,229,500</u>	<u>2,548,980,000</u>

The maximum daily investment balance (including expected accrued investment returns) for the two financial years ended 31 December 2022 and the financial year ending 31 December 2023 were determined with reference to the balance of cash and cash equivalents of the Group of approximately RMB41,079,476,000 as of 30 June 2020. Considering the Group's financial resources, monetary funds and operation needs, including the balance of cash and cash equivalents of the Group as at 30 June 2020, the current debts of the Group as at 30 June 2020 and the then monthly expenses of the Group, the Company intended to invest part of the cash and cash equivalents of the Group with Party B. The maximum daily investment balance (including expected accrued investment returns) of RMB6,000,000,000 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 takes into consideration a series of factors, such as the then cash and cash equivalents, operation capital requirements and debt level of the Group. With a view to ensuring the stable operations 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 equivalents of the Group with Party B in order to enhance risk management and liquidity management. The Company believes that investing part but not all of the Group's cash and cash equivalents 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.

Set out below are the maximum annual service fees which were estimated to be payable by Party A to Party B under the Entrusted Services for the two financial years ended 31 December 2022 and the financial year ending 31 December 2023:

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

The maximum annual service fees under the Entrusted Services 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. For the financial years ended 31 December 2021 and 31 December 2022, the historical annual service fees are approximately RMB17,743,000 and RMB17,743,000, respectively.

As disclosed in the announcement of the Company dated 24 December 2020, the estimated asset value of the asset-backed securities or other financial products under the Entrusted Services for the financial year ended 31 December 2021 was approximately RMB6,000,000,000, which was determined with reference to the then expected scale of the Group's relevant business for the financial year ended 31 December 2021. The then estimated asset value for the financial year ended 31 December 2022 and the financial year 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 was determined with reference to the customary service fee rate range of the trust industry in the PRC.

THE FINANCING AGREEMENTS

15 Financing Agreements were entered into between the Group and the CITIC Bank during the period from October 2021 to February 2023, which, as at the date of this announcement, are still subsisting. The subject matters of the Financing Agreements include the provision of loans and credit by the CITIC Bank to the Group, with principal amount ranging from USD1,753,000 (equivalent to approximately RMB11,900,000 at the exchange rate of USD1.00 = RMB6.7884) to RMB500 million, for a fixed term ranging from around 6 to 18 months, and with interest rate ranging from 4.55% to 5.87% per annum. The loans or credit obtained were mainly for the purchase of raw materials. The terms of the Financing Agreements, including the interest rate, were arrived at after arm's length negotiations between the Group and the CITIC Bank having taken into account the then prevailing market interest rates and practices. As at 31 December 2022, the aggregate outstanding amount (including the principal amount and accrued interest) payable by the Group to the CITIC Bank and the unutilised facility under the then subsisting Financing Agreements were approximately RMB7,401.2 million and RMB206.4 million, respectively. Such loans or credit were secured by certain of the Group's assets including machinery and equipment. As at 31 December 2022, the aggregate net carrying amount of such assets amounted to approximately RMB2,836.2 million.

In addition, in its ordinary course of business, the Group also obtained loans or credit from the CITIC Bank on normal commercial terms with no security over its assets provided. As such, pursuant to Rule 14A.90 of the Listing Rules, these transactions are fully exempt from the requirements under Chapter 14A of the Listing Rules.

REASONS AND BENEFITS FOR ENTERING INTO THE RENEWED INVESTMENT AND WEALTH MANAGEMENT COOPERATION FRAMEWORK AGREEMENT AND THE FINANCING AGREEMENTS

In respect of the Renewed Investment and Wealth Management Cooperation Framework Agreement, as disclosed in the announcement of the Company dated 24 December 2020, 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 recognised 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 operations of the Company since the maximum daily investment balance (including expected accrued investment returns) for the two financial years ended 31 December 2022 and the financial year ending 31 December 2023 only represents approximately 14.61% of the balance of the Group's cash and cash equivalents 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 utilisation 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.

In respect of the Financing Agreements, the provision of loans or credit under the Financing Agreements would enhance the working capital of the Group to expand its business, which would in turn bring investment returns to the Group. Based on public information, China CITIC Bank Corporation Limited (including its predecessor) is one of the earliest commercial banks established during China's reform and opening-up. As at the end of 2021, China CITIC Bank Corporation Limited had 1,415 outlets in 153 large and medium-sized cities in the PRC. In 2021, The Banker magazine of the United Kingdom rated China CITIC Bank Corporation Limited the 16th on its list of the "Top 500 Global Bank Brands" and the 24th on its list of the "Top 1,000 World Banks" in terms of tier-one capital. Having considered the proven track record, the reputation and scale of operation of China CITIC Bank Corporation Limited, the Directors are of the view that the CITIC Bank would be a stable and reliable bank for the provision of loans or credit and that entering into the Financing Agreements is also 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 and the Financing Agreements 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 and the Financing Agreements are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, according to the disclosure of interests as set out on the website of the Stock Exchange, CITIC Group Corporation (中國中信集團有限公司), through its indirect subsidiaries, 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), held more than 10% of the equity interest of the Company.

The CITIC Bank is a branch of China CITIC Bank Corporation Limited. CITIC Trust and China CITIC Bank Corporation Limited are also indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司) and therefore are associates of CITIC Group Corporation (中國中信集團有限公司) and connected persons of the Company under the Listing Rules.

Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements (including publishing an announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the Renewed Investment and Wealth Management Cooperation Framework Agreement and the Financing Agreements. In the event that the Renewed Investment and Wealth Management Cooperation Framework Agreement and/or the Financing Agreements are varied or renewed, the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules.

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.

China CITIC Bank Corporation Limited is principally engaged in commercial banking and related financial services, with its H shares listed on the main board of the Stock Exchange (Stock code: 998) and A shares listed at the Shanghai Stock Exchange (stock code: 601998).

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

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“CITIC Bank”	a branch of China CITIC Bank Corporation Limited (中信銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
“CITIC Trust”	中信信託有限責任公司 (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 securitisation 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

“Financing Agreements”	the financing agreements entered into between the Group and the CITIC Bank during the period from October 2021 to February 2023 in relation to the provision of loans or credit by the CITIC Bank to the Group, which, as at the date of this announcement, are still subsisting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“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 whereby 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 agreed to 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong
14 February 2023

As at the date of this announcement, the Board comprises twelve directors, namely Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian and Ms. Wong Yuting as executive Directors, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Liu Xiaojun (Mr. Zhang Hao as his alternate) and Ms. Sun Dongdong as nonexecutive Directors, and Mr. Wen Xianjun, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive Directors.