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China Hongqiao Group Limited

中國宏橋集團有限公司

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

(Stock Code: 1378)

CONTINUING CONNECTED TRANSACTIONS ALUMINUM INGOTS PURCHASE AND SALES FRAMEWORK AGREEMENT

CONTINUING CONNECTED TRANSACTIONS

The Board announces that Shandong Hongqiao and CITIC Metal entered into the Aluminum Ingots Purchase and Sales Framework Agreement on 30 March 2023 for a term commencing from 30 March 2023 to 31 December 2025 (both dates inclusive), pursuant to which Party A will sell and purchase aluminum ingots to/from Party B.

LISTING RULES IMPLICATION

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 interests of the Company and therefore is a connected person of the Company. CITIC Metal is an indirect subsidiary of CITIC Group Corporation and therefore also a connected person of the Company under the Listing Rules. Accordingly, the Aluminum Ingots Purchase and Sales Framework Agreement constitutes 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 is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

A. THE ALUMINUM INGOTS PURCHASE AND SALES FRAMEWORK AGREEMENT

The material terms of the Aluminum Ingots Purchase and Sales Framework Agreement are set out as follows:

1. Date

30 March 2023

2. Parties

(1) Shandong Hongqiao; and

(2) CITIC Metal

Shandong Hongqiao and CITIC Metal agreed that Shandong Hongqiao may arrange its designated subsidiaries or related parties (together with Shandong Hongqiao, collectively referred to as “**Party A**”) to conduct relevant transactions under the Aluminum Ingots Purchase and Sales Framework Agreement and CITIC Metal may arrange its designated subsidiaries or related parties (together with CITIC Metal, collectively referred to as “**Party B**”) to conduct relevant transactions under the Aluminum Ingots Purchase and Sales Framework Agreement.

3. Connected Person

As at the date of this announcement, 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 interests of the Company and therefore is a connected person of the Company. CITIC Metal is an indirect subsidiary of CITIC Group Corporation and therefore also a connected person of the Company under the Listing Rules. Accordingly, the Aluminum Ingots Purchase and Sales Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

4. Transaction nature and term

Shandong Hongqiao and CITIC Metal entered into the Aluminum Ingots Purchase and Sales Framework Agreement on 30 March 2023 for a term commencing from 30 March 2023 (being the date on which the Aluminum Ingots Purchase and Sales Framework Agreement was approved by the Board) till 31 December 2025 (both dates inclusive), pursuant to which Party A will sell and purchase aluminum ingots to/from Party B.

5. Pricing basis

The prices of aluminum ingots to be supplied or purchased by Party A to/from Party B shall be negotiated and determined with reference to the average quotations of A00 aluminum ingots published at or around 10:30am on www.ccmn.cn (長江有色金屬網) on the delivery date, or the average quotations of A199.70 aluminum ingots for remelting of South-China area published on www.enanchu.com (南儲商務網) on the delivery date.

The selling party shall provide the evidence of the above market prices of aluminum ingots to the purchasing party upon request. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the transactions under the Aluminum Ingots Purchase and Sales Framework Agreement.

The Directors confirmed that the pricing basis agreed between Shandong Hongqiao and CITIC Metal for the purchase and supply of aluminum ingots is fair and reasonable, negotiated on an arm's length basis and constitutes a normal commercial term.

Delivery will be arranged upon payment. If the payment term is otherwise agreed in the specific contract, such term shall be followed.

6. Termination and renewal

Either party to the Aluminum Ingots Purchase and Sales Framework Agreement may terminate it by providing at least thirty (30) days prior written notice to the counterparty. The Aluminum Ingots Purchase and Sales 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 Aluminum Ingots Purchase and Sales Framework Agreement shall not be renewed automatically without approval from the Board and/or the independent Shareholders (if necessary).

7. Historical transaction values and Annual Caps

The historical transaction values and sales volumes of the aluminum ingots supplied by Party A to, and purchased by Party A from, Party B, respectively, for the three financial years ended 31 December 2022 are as follows:

	For the financial year ended 31 December		
	2020 <i>(RMB million)</i> (excluding VAT)	2021 <i>(RMB million)</i> (excluding VAT)	2022 <i>(RMB million)</i> (excluding VAT)
Sales by Party A to Party B			
Historical transaction values	246.0	1,593.0	1,366.2
Historical sales volumes (tons)	21,446	96,222	73,931
Purchase by Party A from Party B			
Historical transaction values	107.0	443.7	1,069.3
Historical sales volumes (tons)	8,180	26,169	58,973
Total historical transaction values	353.0	2,036.7	2,435.5

Set out below are the Annual Caps which are estimated to be payable by Party B to Party A and by Party A to Party B, respectively, under the Aluminum Ingots Purchase and Sales Framework Agreement for the three financial years ending 31 December 2025:

	For the financial year ending 31 December		
	2023 <i>(RMB million)</i> (excluding VAT)	2024 <i>(RMB million)</i> (excluding VAT)	2025 <i>(RMB million)</i> (excluding VAT)
Annual Caps			
Sales by Party A to Party B	1,646.0	1,646.0	1,646.0
Purchase by Party A from Party B	1,316.8	1,316.8	1,316.8
Total	2,962.8	2,962.8	2,962.8

The Annual Caps for the three financial years ending 31 December 2025 are determined with reference to the expected volumes of the aluminum ingots which are estimated to be sold by Party A to, and purchased by Party A from, Party B and the highest end of the estimated average unit market prices of aluminum ingots (i.e. approximately RMB16,500 (excluding VAT) per ton) published by Beijing Antaike Information Company Limited (北京安泰科信息股份有限公司).

The parties have agreed that the total volumes of sales and purchase of the aluminum ingots by Party A to/from Party B shall be no more than 100,000 tonnes and 80,000 tonnes per year, respectively, during the term of the Aluminum Ingots Purchase and Sales Framework Agreement.

B. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The ordinary course of business of Party A includes engaging in the manufacturing and sales of aluminum products. Party B are engaged in the trading of aluminum products in their ordinary course of business and have a substantial and stable demand for aluminum ingots. As a result, Party A will sell aluminum ingots to Party B. In addition, Party A also include a company that specialises in trading of aluminum products. During the course of the trading business, such may procure aluminum ingots from the market for resale based on market supply and demand conditions, thus the situation of purchasing aluminum ingots from Party B may take place. On this basis, entering into the Aluminum Ingots Purchase and Sales Framework Agreement is beneficial for both parties to maintain long-term and stable business relationships and achieve mutual benefits.

The provision and procurement of aluminum ingots to/from CITIC Metal falls within the ordinary and usual course of the Group's business. The Directors believe that the establishment of the long-term cooperation relationship with CITIC Metal will stabilise the Company's operations, ensure a broaden stream of revenue source and a relatively stable profits rate and therefore is of commercial benefit to the Group and the Shareholders as a whole.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Aluminum Ingots Purchase and Sales Framework Agreement (including the Annual Caps) are fair and reasonable, the transactions contemplated under the Aluminum Ingots Purchase and Sales Framework Agreement are conducted in the ordinary and usual course of business of the Company and are on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

C. LISTING RULES IMPLICATIONS

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 interests of the Company and therefore is a connected person of the Company. CITIC Metal is an indirect subsidiary of CITIC Group Corporation and therefore also a connected person of the Company under the Listing Rules. Accordingly, the Aluminum Ingots Purchase and Sales Framework Agreement constitutes 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 is more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Liu Xiaojun, a non-executive Director, (Mr. Zhang Hao as his alternate) had abstained from voting on the relevant resolutions of the Board approving the Aluminum Ingots Purchase and Sales Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the Annual Caps) as he holds positions in certain subsidiaries of CITIC Group Corporation.

D. INTERNAL CONTROL PROCEDURES

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

- (1) the finance department of the Company shall monitor all the pricing records as the reference prices of the Continuing Connected Transactions to ensure the sales prices of the aluminum ingots are no more favourable (for the sale by Party A to Party B) or no less favourable (for the procurement by Party A from Party B) than the prices at which the aluminum ingots are supplied or purchased (as the case may be) by Party A to or from other independent third parties;
- (2) the finance department of the Company shall monitor and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Aluminum Ingots Purchase and Sales Framework Agreement and the Annual Caps are not exceeded;
- (3) the Board will continue to periodically review the Company's internal control systems and their effectiveness; and
- (4) the independent non-executive Directors themselves shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions and the Annual Caps in accordance with the requirements of the Listing Rules.

E. GENERAL

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

Shandong Hongqiao is principally engaged in ore dressing, common non-ferrous metal smelting, non-ferrous metals calendaring processing, metal material sales, coal and coal product sales and goods import and export business.

CITIC Metal is principally engaged in the trading business of metal and mineral products (including iron ore, steel, niobium and other products).

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

F. DEFINITIONS

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

“Aluminum Ingots Purchase and Sales Framework Agreement”	the aluminum ingots purchase and sales framework agreement entered into between the Shandong Hongqiao and CITIC Metal on 30 March 2023 for a term commencing from 30 March 2023 till 31 December 2025 (both dates inclusive), pursuant to which Party A agreed to sell and purchase aluminum ingots to/from Party B
“Annual Caps”	the annual caps for the Continuing Connected Transactions for the three financial years ending 31 December 2025
“Board”	the board of Directors
“CITIC Group Corporation”	中國中信集團有限公司 (CITIC Group Corporation), a limited liability company established in the PRC on 15 September 1982
“CITIC Metal”	中信金屬寧波能源有限公司 (CITIC Metal Ningbo Energy Co., Ltd.), a limited liability company established in the PRC on 31 August 2009
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司)

“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Aluminum Ingots Purchase and Sales Framework Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Hongqiao”	山東宏橋新型材料有限公司 (Shandong Hongqiao New Material Co., Ltd.), a limited liability company established in the PRC on 27 July 1994
“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
“VAT”	value added tax
“%”	per cent

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

Hong Kong
30 March 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 non-executive Directors, and Mr. Wen Xianjun, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi as independent non-executive Directors.