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China Hongqiao Group Limited
中國宏橋集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
(Stock Code: 1378)

CONTINUING CONNECTED TRANSACTIONS
BAUXITE SUPPLY AGREEMENT

ENTERING INTO THE BAUXITE SUPPLY AGREEMENT

The Board is pleased to announce that on 25 November 2019, Well Harvest Winning, as the borrower, entered into the Bank Facility Agreement with, among others, PT Bank DBS Indonesia, as the facility agent, and DBS Bank Ltd, The Export-Import Bank of China, Oversea-Chinese Banking Corporation Limited, Lembaga Pembiayaan Ekspor Indonesia, Bank of China (Hong Kong) Limited Jakarta Branch, BNP Paribas and PT Bank OCBC NISP Tbk, as the lenders, in relation to a long term loan facility for a maximum term of 10 years and a working capital facility up to a total amount of US\$595,000,000, to finance the construction and operation of the Phase 2 Project.

The Board announces that, on 3 December 2019, Well Harvest Winning and Cita Mineral Investindo entered into the Bauxite Supply Agreement, pursuant to which Cita Mineral Investindo shall sell and deliver to Well Harvest Winning, or procure the sale and delivery to Well Harvest Winning of, and Well Harvest Winning shall buy from Cita Mineral Investindo, bauxite.

LISTING RULES IMPLICATION

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules and therefore Cita Mineral Investindo could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Bauxite Supply Agreement constituted 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 and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. THE BAUXITE SUPPLY AGREEMENT

The material terms of the Bauxite Supply Agreement are set out as follows:

1. Date

3 December 2019

2. Parties

(i) Well Harvest Winning, as the buyer; and

(ii) Cita Mineral Investindo, as the seller.

Well Harvest Winning and Cita Mineral Investindo are individually referred to as a "Party" or collectively referred to as the "Parties".

3. Connected person

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo. As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules and therefore Cita Mineral Investindo could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules.

4. Transaction nature

Well Harvest Winning and Cita Mineral Investindo entered into the Bauxite Supply Agreement on 3 December 2019 pursuant to which Cita Mineral Investindo shall sell and deliver to Well Harvest Winning, or procure the sale and delivery to Well Harvest Winning of, and Well Harvest Winning shall buy from Cita Mineral Investindo, bauxite.

5. Term

The Bauxite Supply Agreement is for a term commencing on the Effective Date and ending on 31 December 2033.

6. Pricing basis

The benchmark selling price of the bauxite to be supplied by Cita Mineral Investindo to Well Harvest Winning shall be USD31.50 per DMT x IDR Exchange Rate, which is determined with reference to the prices charged by Cita Mineral Investindo to other independent third parties for supply of the same or comparable types of bauxite on normal commercial terms in its ordinary and usual course of business. The actual selling price of the bauxite shall be adjusted on the basis of the benchmark selling price according to the proportion of Al₂O₃ and SiO and the grain size of bauxite.

Well Harvest Winning shall pay to Cita Mineral Investindo the CIF price for each Shipment which shall be an amount equal to the product of (a) the selling price applicable to such Shipment calculated in accordance with the pricing basis above and multiplied by (b) the number of DMTs in such Shipment. The selling price for each Shipment shall be (i) calculated by Cita Mineral Investindo based on the data contained in the surveyor's certificate for such Shipment and (ii) confirmed in writing by Well Harvest Winning within two (2) days of delivery of Cita Mineral Investindo's preliminary determination of such selling price.

The pricing basis above shall be reviewed annually on or before every anniversary of the Bauxite Supply Agreement and subject to mutual agreement by the Parties, be amended to reflect any change in the inflation rate(s) published by the index(es) commonly used to determine inflation in commodity prices. If the Parties do mutually agree to amend the pricing basis, any such amendment shall be set forth in writing and, upon execution thereof by the Parties, shall form an addendum to the Bauxite Supply Agreement.

The Directors confirmed that the pricing basis agreed between Cita Mineral Investindo and Well Harvest Winning for supply of bauxite is fair and reasonable and negotiated on an arm's length basis and constitutes a normal commercial term.

7. Payment terms

Cita Mineral Investindo shall deliver to Well Harvest Winning an invoice with respect to each Shipment upon the arrival of each Shipment at the applicable Discharge Location. All payments shall be in IDR and shall be made by telegraphic transfer not more than thirty (30) days after the later of (a) delivery of each Shipment to the Discharge Location and (b) receipt by Well Harvest Winning of the related invoice. The Parties agree that a sale is recognized once each Shipment has arrived at the applicable Discharge Location.

8. Conditions precedent

The obligations of Cita Mineral Investindo and Well Harvest Winning shall be subject to the following conditions precedent:

- (a) all material government authorizations required for the Parties to execute, deliver and perform their respective obligations under the Bauxite Supply Agreement shall have been obtained and be in full force and effect, excluding (i) any government authorizations the absence of which the relevant Party does not anticipate will have a material adverse effect on its ability to perform its obligations under the Bauxite Supply Agreement and (ii) any government authorizations which cannot then be obtained in accordance with prevailing law and practice and which the relevant Party does not anticipate difficulty in obtaining as and when required in accordance with relevant law; and
- (b) the Phase 2 Pre-Commissioning Date shall have occurred.

9. Termination

The Bauxite Supply Agreement shall automatically terminate on the last day of its term unless terminated earlier by the Parties pursuant to the relevant terms in the Bauxite Supply Agreement.

10. Historical transaction values and the Annual Caps

Well Harvest Winning has been purchasing bauxite from Cita Mineral Investindo and its related parties since November 2015. The historical transaction values for the bauxite supplied by Cita Mineral Investindo and its related parties to Well Harvest Winning for the three financial years ended 31 December 2018 and the period from 1 January 2019 to 21 May 2019 are as follows:

	For the financial year ended 31 December 2016	For the financial year ended 31 December 2017	For the financial year ended 31 December 2018	For the period from 1 January 2019 to 21 May 2019
Historical transaction values <i>(Note)</i>	USD36,663,718 (equivalent to approximately HK\$287,792,000)	USD35,175,195 (equivalent to approximately HK\$276,108,000)	USD24,558,829 (equivalent to approximately HK\$192,775,000)	USD8,200,143 (equivalent to approximately HK\$64,367,000)

Note: As the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning were less than 10% for each of the three financial years ended 31 December 2017, Well Harvest Winning had been an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules, and therefore Cita Mineral Investindo was exempt under Rule 14A.09 of the Listing Rules and had not been a connected person of the Company under the Listing Rules and the historical transactions for supply of bauxite between Well Harvest Winning and Cita Mineral Investindo and its related parties did not constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Set out below are the Annual Caps which are estimated to be payable by Well Harvest Winning to Cita Mineral Investindo for the period from 22 May 2019 to 31 December 2033:

	For the period from 22 May 2019 to 31 December 2019	For the financial year ending 31 December 2020	For each of the thirteen financial years ending 31 December 2033
Annual Caps <i>(Note 1)</i>	USD26,766,000 <i>(Note 2)</i> (equivalent to approximately HK\$210,100,000)	USD43,707,000 <i>(Note 2)</i> (equivalent to approximately HK\$343,078,000)	USD155,295,000 <i>(Note 2)</i> (equivalent to approximately HK\$1,218,988,000)

Note 1: The Annual Caps for the period from 22 May 2019 to 31 December 2033 are determined with reference to the estimated maximum volumes of bauxite to be purchased by Well Harvest Winning from Cita Mineral Investindo and the estimated price of bauxite, taking the completion and operation of the Phase 2 Project into consideration.

The estimated maximum purchase volume of bauxite for the period from 22 May 2019 to 31 December 2019 is determined with reference to the estimated use of bauxite of the existing alumina production line of Well Harvest Winning with an annual production capacity of 1 million tons for the period from 22 May 2019 to 31 December 2019.

Each of the Annual Caps for the financial year ending 31 December 2020 and for each of the thirteen financial years ending 31 December 2033 is determined after taking into account of the estimated use of bauxite of the additional alumina production line with an annual production capacity of 1 million tons which is planned to be constructed by Well Harvest Winning as the Phase 2 Project. Pursuant to the latest construction timetable of the Phase 2 Project, the time for commencing production is earlier than expectation, resulting a higher demand of bauxite; further, as a sizable, stable and long-term bauxite supplier, Cita Mineral Investindo will also increase the production volume of bauxite to supply Well Harvest Winning the bauxite needed for its production.

Note 2: The Annual Caps shall be subject to final calculation in the payment currency.

B. REASONS FOR AND BENEFITS OF ENTERING INTO THE BAUXITE SUPPLY AGREEMENT

Well Harvest Winning is held as to 61% by the Company (directly and indirectly), as to 30% by Cita Mineral Investindo and as to 9% by Winning Investment (HK) Co., Ltd. Currently, Well Harvest Winning owns and operates an alumina production facility with an annual production capacity of 1 million tons and intends to construct an additional alumina production line with an annual production capacity of 1 million tons as the Phase 2 Project through project financing.

Based on the above, on 25 November 2019, Well Harvest Winning, as the borrower, entered into the Bank Facility Agreement with, among others, PT Bank DBS Indonesia, as the facility agent, and DBS Bank Ltd, The Export-Import Bank of China, Oversea-Chinese Banking Corporation Limited, Lembaga Pembiayaan Ekspor Indonesia, Bank of China (Hong Kong) Limited Jakarta Branch, BNP Paribas and PT Bank OCBC NISP Tbk, as the lenders, in relation to a long term loan facility for a

maximum term of 10 years and a working capital facility up to a total amount of US\$595,000,000, to finance the construction and operation of the Phase 2 Project. The longest period for the repayment of the loans under the Bank Facility Agreement is 120 months starting from 25 November 2019. The Bauxite Supply Agreement and other relevant documents are parts of the Financing Documents, with a view to ensure the smooth construction and operation of the Phase 2 Project.

With a view to ensure stable bauxite supply for Well Harvest Winning, Well Harvest Winning and Cita Mineral Investindo entered into the Bauxite Supply Agreement after considering, among others, the following reasons:

- (i) the close location of Cita Mineral Investindo to the production base of Well Harvest Winning makes it convenient and efficient for bauxite supply; and
- (ii) Cita Mineral Investindo is able to provide stable bauxite supply with flexible scheduling for the production needs of Well Harvest Winning, which is favorable to the stable operation of the Group's business.

C. OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. As the term of the Bauxite Supply Agreement exceeds three years, the Company has been advised by Sorrento Capital why the Bauxite Supply Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

In assessing the reasons for the duration of the Bauxite Supply Agreement to be longer than three years, Sorrento Capital has reviewed the reasons for entering into the Bauxite Supply Agreement and considered the following factors:

In respect of the objective and business of Well Harvest Winning

- (i) the establishment of Well Harvest Winning serves the purpose to expand the Group's business in the production and sales of alumina which is in line with the Group's principal business;
- (ii) as advised by the Company, Well Harvest Winning represents the long term cooperation among shareholders of Well Harvest Winning in which the Company and Cita Mineral Investindo respectively held as to 61% and 30% interests as substantial shareholders;
- (iii) Cita Mineral Investindo is principally engaged in bauxite mining business located in close proximity to the production base of Well Harvest Winning and bauxite is a key raw materials for alumina refinery. The continuous supply of bauxite by Cita Mineral Investindo is essential to the operation and expansion, such as Phase 2 Project, of Well Harvest Winning; and

- (iv) based on information published by various companies listed on the Stock Exchange, it is noted that some long term agreements were entered into by listed companies in relation to supply of resources, components or intellectual property by major stakeholders (such as joint venture/business partners and major suppliers) which is essential for their operations. Such duration could be up to 50 years or even as long as the joint venture is in effect.

In respect of the Bauxite Supply Agreement and financing related arrangement

- (i) in addition to the Bauxite Supply Agreement, Well Harvest Winning also entered into or will enter into, among others, a bauxite supply direct agreement, a sponsors support agreement, a security sharing and subordination agreement and a deed of pledge over shares with, among others, Cita Mineral Investindo as parts of the Financing Documents and the Bank Facility Agreement. As confirmed by the Company, such documents are necessary for Well Harvest Winning to obtain this facility and the terms and conditions of the Bank Facility Agreement and the Financing Documents were negotiated on arm's length basis among all relevant parties including bank and third party shareholder of Well Harvest Winning;
- (ii) as advised by the Company, the repayment schedules, particularly the longest repayment period of 120 months under the Bank Facility Agreement and the Financing Documents, were negotiated with and agreed by the relevant bank after considering, among others, the financing needs of the alumina refinery project. Based on information recently published by various companies listed on the Stock Exchange, it is not uncommon for term loans or finance leases for purpose of new projects (e.g setting up new plants) with duration of 10 years or longer;
- (iii) as advised by the Company, the Financing Documents were customarily required for obtaining project financing and it is reasonable for bank and other relevant parties, such as security agents, to require durations of the Financing Documents to be comparable the that of the Bank Facility Agreement. Based on information published by companies listed on the Stock Exchange, the durations of sponsor support agreements for projects can be either up to completion of project or full repayment of project loans. Besides, the Bank Facility Agreement and the Finance Documents were also signed by a minority shareholder of Well Harvest Winning who is not a connected person to the Company;
- (iv) given the Company expects to take over a year to establish the Phase 2 Project, a shorter duration of the Bank Facility Agreement and the Finance Documents, e.g. within three years, would lead to pressure on the working capital of Well Harvest Winning and there could be uncertainty on whether Well Harvest Winning can timely obtain financing on comparable terms upon renewal; and
- (v) as advised by the Company, a slightly longer period of the Bauxite Supply Agreement as compared to that of the Bank Facility Agreement and the Finance Documents indicates the commitment of both Well Harvest Winning and Cita Mineral Investindo to the ongoing operation of the alumina refinery plants and it is important for Well Harvest Winning to secure future supply of key raw materials when negotiating sales orders during the duration of the Bank Facility Agreement in advance.

Taking into account of the above, Sorrento Capital confirms that the duration of the Bauxite Supply Agreement, which is longer than three years, is required and it is normal business practice for the Bauxite Supply Agreement to be of such duration.

D. IMPLICATIONS UNDER THE LISTING RULES

Well Harvest Winning is a non-wholly owned subsidiary of the Company and it is held as to 30% by Cita Mineral Investindo. As disclosed in the announcement of the Company dated 22 May 2019, as the relevant percentage ratios (as defined under Rule 14A.09 of the Listing Rules) in respect of Well Harvest Winning exceeded 10% for the year ended 31 December 2018, Well Harvest Winning ceased to be an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules and therefore Cita Mineral Investindo could not meet the conditions for the exemption under Rule 14A.09 of the Listing Rules and became a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Bauxite Supply Agreement constituted 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.

None of the Directors was required to abstain from voting on the relevant resolutions of the Board approving the Continuing Connected Transactions as none of them has any material interest in the Continuing Connected Transactions.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and the terms of the Bauxite Supply Agreement (including the Annual Caps) have been negotiated on an arm's length basis, and are on normal commercial terms and are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

In addition to the Bauxite Supply Agreement, Well Harvest Winning also entered into or will enter into, among others, a bauxite supply direct agreement, a sponsors support agreement, a security sharing and subordination agreement and a deed of pledge over shares with, among others, Cita Mineral Investindo as parts of the Financing Documents. The transactions under the aforesaid agreements or deed are exempted connected transactions of the Company under Chapter 14A of the Listing Rules as such transactions are either financial assistance received by the Group from Cita Mineral Investindo or without monetary consideration from Well Harvest Winning. Accordingly, such transactions are fully exempt from announcement, annual review, independent shareholders' approval and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.87 and 14A.90 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 pricing policies and the terms of the Bauxite Supply Agreement, and in compliance with the Listing Rules:

- (i) the finance department of the Company shall obtain and monitor all the quotations and/or pricing records as reference prices of the Continuing Connected Transactions to ensure that the prices of bauxite offered by Cita Mineral Investindo to the Group are not higher than the prices offered by other independent third parties in Indonesia to the Group for supplying the same or comparable types of bauxite;
- (ii) the finance department of the Company shall monitor and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the Bauxite Supply Agreement and the Annual Caps are not exceeded;
- (iii) the Board will continue to periodically review the Company's internal control systems and their effectiveness; and
- (iv) 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.

F. GENERAL INFORMATION

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

Well Harvest Winning is principally engaged in the production and sales of alumina.

Cita Mineral Investindo is held as to 90.96% by Harita Jayaraya and is principally engaged in bauxite mining business. Harita Jayaraya is principally engaged in general business.

G. DEFINITIONS

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

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| “Annual Caps” | the annual caps for the Continuing Connected Transactions for the period from 22 May 2019 to 31 December 2033 |
| “Bank Facility Agreement” | a senior facilities agreement entered into by Well Harvest Winning, as the borrower, with, among others, PT Bank DBS Indonesia, as the facility agent, on 25 November 2019 to finance the construction and operation of the Phase 2 Project |

“Bauxite Supply Agreement”	the bauxite supply agreement entered into between Well Harvest Winning and Cita Mineral Investindo on 3 December 2019. Before the effectiveness of the Bauxite Supply Agreement, the transactions will be conducted under the regime disclosed in the announcement of the Company dated 22 May 2019 pursuant to the original bauxite supply agreement with similar terms and conditions stipulated in the Bauxite Supply Agreement.
“Board”	the board of Directors
“Cita Mineral Investindo”	PT. Cita Mineral Investindo, Tbk., a limited liability company established and existing under the laws of Indonesia
“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 Bauxite Supply Agreement
“Director(s)”	the director(s) of the Company
“Discharge Location”	the location of delivery of a Shipment, an appropriately licensed port located in Sungai Tengar, Kabupaten Ketapang, West Kalimantan
“DMT”	dry metric tonne, means the actual weight without free moisture
“Effective Date”	the effective date of the Bauxite Supply Agreement on which the conditions precedent have been satisfied
“Financing Documents”	the project financing documents for the project financing under the Bank Facility Agreement
“Group”	the Company and its subsidiaries
“Harita Jayaraya”	PT. Harita Jayaraya, a limited liability company established and existing under the laws of Indonesia
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong Special Administrative Region of the PRC
“IDR”	Indonesian Rupiah, the lawful currency of Indonesia
“IDR Exchange Rate”	as of any date, the number of IDR that is equivalent to one USD quoted as the Bank Indonesia Middle Rate by Bank Indonesia as of the close of business (Jakarta time) on the 7th business day immediately preceding the date of calculation

“Independent Financial Adviser” or “Sorrento Capital”	Sorrento Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed to advise the Company on the duration of the Bauxite Supply Agreement for the purpose of Rule 14A.52 of the Listing Rules
“Indonesia”	the Republic of Indonesia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Phase 2 Pre-Commissioning Date”	the initial date of the pre-commissioning period for the Phase 2 Project, which Well Harvest Winning shall notify to Cita Mineral Investindo in writing at least ninety (90) days’ prior thereto
“Phase 2 Project”	the development, construction, ownership and operation of alumina refinery plant of Well Harvest Winning with an additional Phase 2 production capacity of 1 million tons of alumina per year
“PRC”	the People’s Republic of China
“Shareholder(s)”	registered holder(s) of the shares of the Company
“Shipment”	any quantity of bauxite loaded by Cita Mineral Investindo into a ship for sale and delivery to Well Harvest Winning under and in accordance with the terms of the Bauxite Supply Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollar(s), the lawful currency of the United States
“Well Harvest Winning”	PT. Well Harvest Winning Alumina Refinery, a limited liability company established and existing under the laws of Indonesia and a non-wholly owned subsidiary of the Company
“%”	per cent

For the purposes of illustration only, any amount denominated in USD in this announcement was translated into HK\$ at the rate of USD1 = HK\$7.8495 and any amount denominated in IDR in this announcement was translated into USD at the rate of USD1 = IDR14,362. 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
3 December 2019

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.