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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**  
**FACTORING AGREEMENT**

The Board announces that the Sellers and Chongqing Weiqiao entered into the Factoring Agreement on 17 January 2017 for a term ending 31 December 2019, pursuant to which Chongqing Weiqiao agreed to provide the Sellers with account receivables factoring services.

Shandong Hongqiao is an indirect wholly-owned subsidiary of the Company. Chongqing Weiqiao is owned as to 55% by Weiqiao Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company. Therefore, Chongqing Weiqiao is deemed as a connected person of the Company under the Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the transactions between the Sellers and Chongqing Weiqiao constitute Continuing Connected Transactions under Rule 14A.23 of the Listing Rules.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Continuing Connected Transactions on an annual basis are more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement set out under Chapter 14A of the Listing Rules.

The Board consider that the terms of the Factoring Agreement and the Continuing Connected Transactions thereunder are fair and reasonable, are on normal commercial terms and in ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

**CONTINUING CONNECTED TRANSACTIONS**

The Sellers and Chongqing Weiqiao entered into the Factoring Agreement on 17 January 2017 for a term ending 31 December 2019, pursuant to which Chongqing Weiqiao agreed to provide the Sellers with account receivables factoring services.

The principle terms of the Factoring Agreement are set out below:

**Date**

17 January 2017

**Parties**

Factor: Chongqing Weiqiao  
Transferors of account receivables: Shandong Hongqiao and its twelve wholly-owned subsidiaries,  
as the Sellers

**Factoring arrangement**

The factoring services to be applied by the Sellers under the Factoring Agreement include trade financing, account receivables management, account collection and bad debt guarantee.

Within the term of the Factoring Agreement, the Sellers are entitled to transfer account receivables incurred from sales of goods or provision of services to the Buyers to Chongqing Weiqiao according to terms of conditions under the Factoring Agreement.

The Sellers are entitled to apply to Chongqing Weiqiao for trade financing by virtue of account receivables transferred to Chongqing Weiqiao. Unless otherwise agreed by Chongqing Weiqiao and the Buyers, the principal of factoring facilities and interests accrued and relevant factoring commission fee shall be paid by the Buyers to Chongqing Weiqiao.

In the event that no other dispute arises and when the Buyers are unable to pay off the account receivables under the Factoring Agreement, Chongqing Weiqiao shall provide bad debt guarantee to such due account receivables and make payment to the Sellers according to the terms of conditions under the Factoring Agreement.

**Service fee of factoring business**

The service fee of factoring business under the Factoring Agreement shall be paid by the Buyers.

## ANNUAL CAPS

The Directors expect that the annual aggregate amounts of account receivables of the Sellers to be transferred to Chongqing Weiqiao under the Factoring Agreement for the three financial years ending 31 December 2019 (the “**Annual Caps**”) will be as follows:

<b>For the financial year ending 31 December 2017</b>	<b>For the financial year ending 31 December 2018</b>	<b>For the financial year ending 31 December 2019</b>
<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
1,897,000,000	1,897,000,000	1,897,000,000

The Annual Caps are determined with reference to 50% of the Buyers’ expected maximum annual factoring credit limit to be granted by Chongqing Weiqiao. Such expected maximum annual factoring credit limit is 20% of the account receivables incurred from sales of goods or provision of services to the Buyers for the year ended 31 December 2016 calculated based on the actual account receivables incurred from sales of goods or provision of services to the Buyers for the six months ended 30 June 2016 by multiplying 2.

## REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions are in favor of the safety of the account receivables of the Sellers, diversification of the capital allocation and management, optimization of the financial structure and increase in the capital usage efficiency. The terms of the Factoring Agreement were entered into on an arm’s length basis and on normal commercial terms. Therefore, the Directors (including the independent non-executive Directors) are of the view that the terms of the Factoring Agreement and the Continuing Connected Transactions thereunder are fair and reasonable, are on normal commercial terms and in ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

## IMPLICATIONS UNDER THE LISTING RULES

Shandong Hongqiao is an indirect wholly-owned subsidiary of the Company. Chongqing Weiqiao is owned as to 55% by Weiqiao Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company. Therefore, Chongqing Weiqiao is deemed as a connected person under the Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the transactions between the Sellers and Chongqing Weiqiao constitute Continuing Connected Transactions under Rule 14A.23 of the Listing Rules.

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) computed pursuant to Rule 14.04(9) of Listing Rules for the Continuing Connected Transactions on an annual basis are more than 0.1% but less than 5%, the Continuing Connected Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders’ approval requirement set out under Chapter 14A of the Listing Rules.

Each of Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo and Mr. Yang Congsen is interested in the Continuing Connected Transactions and had abstained from voting on the relevant resolutions of the Board approving the same.

## GENERAL INFORMATION

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

Chongqing Weiqiao is principally engaged in factoring business including trade financing, management of account receivables and management of sales subsidiary ledger.

In addition to the factoring arrangement with the Buyers disclosed above, the Company understands that part of the suppliers of the Group may enter into factoring agreements with Chongqing Weiqiao from time to time, pursuant to which, these suppliers agree to transfer their account receivables (“**Suppliers’ Account Receivables**”) due from the Group to Chongqing Weiqiao and Chongqing Weiqiao agrees to provide factoring services to these suppliers. The Group will pay off the Suppliers’ Account Receivables to Chongqing Weiqiao pursuant to the instruction given by these suppliers of the Group within certain payment periods, which are basically same as that periods under the supply agreements entered into between these suppliers and the Group without the factoring arrangement. Based on commercial practice and since the Group did not require any factoring services from Chongqing Weiqiao, no agreement will be entered into between the Group and Chongqing Weiqiao.

## DEFINITIONS

“Board”	the board of directors of the Company
“Buyers”	certain buyers of the Group’s products which will be involved in the factoring arrangement and are independent third parties to the Company
“Chongqing Weiqiao”	Chongqing Weiqiao Financial Factoring Co., Ltd.* (重慶魏橋金融保理有限公司), a limited liability company established in the PRC on 22 November 2016
“Continuing Connected Transactions”	the Continuing Connected Transactions contemplated under the Factoring Agreement
“Company”	China Hongqiao Group Limited, a company incorporated on 9 February 2010 as an exempt company with limited liability under the laws of Cayman Island and the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Factoring Agreement”	the factoring agreement entered into between the Sellers and Chongqing Weiqiao on 17 January 2017 for a term ending 31 December 2019

“Group”	the Company and its subsidiaries (as defined in the Listing Rules) from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	Shandong Hongqiao and its twelve wholly-owned subsidiaries
“Shandong Hongqiao”	Shandong Hongqiao New Material Co., Ltd.* (山東宏橋新型材料有限公司), a wholly-owned subsidiary of the Company, incorporated in the PRC on 27 July 1994
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weiqiao Chuangye Group”	Shandong Weiqiao Chuangye Group Co., Ltd.* (山東魏橋創業集團有限公司), a limited liability company established under the laws of the PRC on 14 April 1998 which is held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company
“%”	per cent.

*If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

By order of the Board  
**China Hongqiao Group Limited**  
**Zhang Shiping**  
*Chairman*

Shandong, the PRC  
17 January 2017

*As at the date of this announcement, the Board comprises eight Directors, namely Mr. Zhang Shiping, Ms. Zheng Shuliang and Mr. Zhang Bo as executive Directors, Mr. Yang Congsen and Mr. Zhang Jinglei as non-executive Directors, and Mr. Chen Yinghai, Mr. Xing Jian and Mr. Han Benwen as independent non-executive Directors.*