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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

Reference is made to the prospectus of the Company dated 14 March 2011, which states that the Company and Aluminum Technology entered into the Old Purchase and Supply Framework Agreement on 22 November 2010 for a term of three years expiring on 31 December 2012. Under the Old Purchase and Supply Framework Agreement, Aluminum Technology agreed to supply carbon anode blocks to the Company for the production of aluminum products, and the Company agreed to supply slag of carbon anode blocks to Aluminum Technology, on the terms no less favorable than those offered by any independent third parties (in the case of purchase of carbon anode blocks from Aluminum Technology) or offered to any independent third parties (in the case of supply of slag of carbon anode blocks to Aluminum Technology).

The Board announces that the Company and Aluminum Technology entered into the Renewed Purchase and Supply Framework Agreement on 26 October 2012 for a term of three years commencing on 1 January 2013 to 31 December 2015 (both days inclusive), pursuant to which Aluminum Technology will continue to supply carbon anode blocks to the Company (including its subsidiaries) for the production of aluminum products and the Company (including its subsidiaries) will continue to supply slag of carbon anode blocks to Aluminum Technology. Terms and conditions of the Renewed Purchase and Supply Framework Agreement are basically the same as those of the Old Purchase and Supply Framework Agreement.

Aluminum Technology is owned as to 33.72% indirectly by Mr. Zhang Shiping, who is an executive Director and a controlling shareholder of the Company indirectly holding 84.96% of the issued share capital of the Company and hence a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Accordingly, Aluminum Technology is a connected person of the Company under Rule 14A.11(4) 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 are on an annual basis 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 terms and conditions of the Continuing Connected Transactions have been negotiated on an arm's length basis. The Board considers the Continuing Connected Transactions to be on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

A. CONTINUING CONNECTED TRANSACTIONS

1. Date

26 October 2012

2. Parties

The Company

Aluminum Technology

3. Connected Person

Aluminum Technology

4. Transaction Nature

The Company and Aluminum Technology entered into the Old Purchase and Supply Framework Agreement on 22 November 2010 for a term of three years, pursuant to which Aluminum Technology agreed to supply carbon anode blocks to the Company for the production of aluminum products, and the Company agreed to supply slag of carbon anode blocks to Aluminum Technology, on the terms no less favorable than those offered by any independent third parties (in the case of purchase of carbon anode blocks from Aluminum Technology) or offered to any independent third parties (in the case of supply of slag of carbon anode blocks to Aluminum Technology).

The Company and Aluminum Technology entered into the Renewed Purchase and Supply Framework Agreement on 26 October 2012 for a term of three years commencing on 1 January 2013 to 31 December 2015 (both days inclusive), pursuant to which Aluminum Technology will continue to supply carbon anode blocks to the Company (including its subsidiaries) for the production of aluminum products and the Company (including its subsidiaries) will continue to supply slag of carbon anode blocks to Aluminum Technology. Terms and conditions of the Renewed Purchase and Supply Framework Agreement are basically the same as those of the Old Purchase and Supply Framework Agreement.

5. Pricing Basis and Payment Terms

The pricing for the purchase of carbon anode blocks from Aluminum Technology by the Company and the supply of slag of carbon anode blocks by the Company to Aluminum Technology will be determined by the following principles:

- (a) the price as prescribed in accordance with the relevant regulations of the PRC government or the relevant authorities; or
- (b) if no such price is prescribed by the relevant regulations of the PRC government or the relevant authorities, the price of purchasing the carbon anode blocks and supplying of slag of carbon anode blocks will be based on the follows, whichever is the lower:
 - (i) the market price in accordance with paragraph (c) below; or
 - (ii) the price as agreed between the parties under the Renewed Purchase and Supply Framework Agreement; specifically, in respect of the purchase of carbon anode blocks from Aluminum Technology, such agreed price shall not be less than the actual costs of producing the carbon anode blocks by Aluminum Technology, and in respect of the supply of slag of carbon anode blocks to Aluminum Technology, such agreed price shall not be less than the actual costs of supplying the slag of carbon anode blocks, in both cases plus a margin of an agreed rate (which shall not be more than the annual growth rate of the gross domestic product of Shandong Province at the end of each calendar year released by National Bureau of Statistics of China) of such costs; or
- (c) the market price, which shall be determined on normal commercial terms no less favorable than the terms offered by independent third parties in Shandong Province.

The Directors (including the independent non-executive Directors) confirm that the prices for the purchase of carbon anode blocks from Aluminum Technology by the Company and the supply of slag of carbon anode blocks by the Company to Aluminum Technology were determined on arm's length basis and in line with normal commercial terms.

Both of the Company and Aluminum Technology agreed that the payment for the above prices shall be made on a monthly basis. The Company and Aluminum Technology shall, on the last business day of each calendar month, prepare an account book for the amounts payable by each other and such amount shall be settled in full within the first ten days of the following month. The payments between the Company and Aluminum Technology can be offset by each other.

6. Historical Transaction Amounts

For the year ended 31 December 2011 (the Company was listed on 24 March 2011) and the nine months ended 30 September 2012, the aggregate amount paid by the Company to Aluminum Technology in relation to the purchase of carbon anode blocks were as follows:

Financial year ended 31 December 2011 <i>(RMB)</i>	Nine months ended 30 September 2012 <i>(RMB)</i>
333,744,000	183,305,000

The applicable annual caps for the two years ending 31 December 2012 in relation to the purchase of carbon anode blocks are RMB340,000,000 and RMB375,000,000, respectively.

For the year ended 31 December 2011 (the Company was listed on 24 March 2011) and the nine months ended 30 September 2012, the aggregate amount received by the Company from Aluminum Technology in relation to the supply of slag of carbon anode blocks were as follows:

Financial year ended 31 December 2011 <i>(RMB)</i>	Nine months ended 30 September 2012 <i>(RMB)</i>
23,999,000	18,170,000

The applicable annual caps for the two years ending 31 December 2012 in relation to the supply of slag of carbon anode blocks are RMB24,000,000 and RMB27,000,000, respectively.

7. Maximum Annual Transaction Amounts

The Directors expect that the annual aggregate amount to be paid to Aluminum Technology in relation to the purchase of carbon anode blocks from Aluminum Technology under the Renewed Purchase and Supply Framework Agreement for the three years ending 31 December 2015 will be as follows:

Financial year ending 31 December 2013 <i>(RMB)</i>	Financial year ending 31 December 2014 <i>(RMB)</i>	Financial year ending 31 December 2015 <i>(RMB)</i>
481,359,000	529,495,000	582,445,000

The Directors expect that the annual aggregate amount to be received from Aluminum Technology in relation to the supply of slag of carbon anode blocks to Aluminum Technology under the Renewed Purchase and Supply Framework Agreement for the three years ending 31 December 2015 will be as follows:

Financial year ending 31 December 2013 <i>(RMB)</i>	Financial year ending 31 December 2014 <i>(RMB)</i>	Financial year ending 31 December 2015 <i>(RMB)</i>
46,206,000	50,827,000	55,909,000

The proposed annual caps are determined with reference to the historical values, the prevailing market prices, the expected growth in production and sales of the Company's aluminum products and the production capacity of Aluminum Technology.

The transaction value in respect of the purchase of carbon anode blocks by the Company from Aluminum Technology for the years ending 31 December 2013, 2014 and 2015, respectively, are determined with reference to the expected purchase amount of 150,000 tons for each of the three years ending 31 December 2015 (which matches the annual production capacity of Aluminum Technology) multiplied by the average purchase price of carbon anode blocks purchased by the Company from Aluminum Technology for the two years ended 31 December 2011 and the nine months ended 30 September 2012, with an expected growth rate of 10% each year for such purchase price from 2013 to 2015.

The transaction value in respect of the supply of slag of carbon anode blocks by the Company to Aluminum Technology for the years ending 31 December 2013, 2014 and 2015, respectively, are determined with reference to the expected sales amount of 22,500 tons of slag of carbon anode blocks (15% of the total purchases of carbon anode blocks from Aluminum Technology by the Company) for each of the three years ending 31 December 2015 multiplied by the average sales price of slag of carbon anode blocks sold by the Company to Aluminum Technology for the two years ended 31 December 2011 and the nine months ended 30 September 2012, with an expected growth rate of 10% each year for such sales price from 2013 to 2015. In general, one ton of carbon anode blocks will generate 0.15 ton of slag of carbon anode blocks.

8. Reasons and Benefits for the Continuing Connected Transactions

Aluminum Technology is one of the Company's principal suppliers of carbon anode blocks and has a stable business relationship with the Company, in which Aluminum Technology has provided a reliable and timely supply of carbon anode blocks to the Company and the Company has provided a reliable supply of slag of carbon anode blocks to Aluminum Technology. Aluminum Technology will use the slag as part of its raw materials. The close geographical location of the respective operations of the Company and Aluminum Technology also offer the Company benefits such as timely delivery and costs effectiveness.

The Directors (including the independent non-executive Directors) confirm that the Renewed Purchase and Supply Framework Agreement has been entered into in the ordinary and usual course of business of the Company and are based on arm's length negotiation and on normal commercial terms that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also confirm that each of the proposed annual caps set out herein are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

B. LISTING RULES IMPLICATIONS

Aluminum Technology is owned as to 33.72% indirectly by Mr. Zhang Shiping, who is an executive Director and a controlling shareholder of the Company indirectly holding 84.96% of the issued share capital of the Company and hence a connected person of the Company under Rule 14A.11(1) of the Listing Rules. Accordingly, Aluminum Technology is a connected person of the Company under Rule 14A.11(4) 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 are on an annual basis 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, Mr. Qi Xingli and Mr. Yang Congsen is interested in the Continuing Connected Transactions and had abstained from voting on the relevant resolution of the Board approving the same.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Renewed Purchase and Supply Framework Agreement have been negotiated on an arm's length basis and are normal commercial terms that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

C. GENERAL

The Company is principally engaged in the production and sale of aluminum products. Aluminum Technology is principally engaged in the manufacture of carbon anode blocks.

D. DEFINITIONS

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

“Aluminum Technology”	濱州魏橋鋁業科技有限公司 (Binzhou Weiqiao Aluminum Technology Co., Ltd.), a limited liability company incorporated under the laws of the PRC on 25 December 2002, indirectly held as to 33.72% by Mr. Zhang Shiping, who is an executive Director and a controlling shareholder of the Company indirectly holding 84.96% of the issued share capital of the Company
“Board”	the board of Directors (including the independent non-executive Directors)
“Company”	China Hongqiao Group Limited (中國宏橋集團有限公司)
“Continuing Connected Transactions”	the continuing connected transactions under the Renewed Purchase and Supply Framework Agreement
“Director(s)”	the director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Old Purchase and Supply Framework Agreement”	the agreement dated 22 November 2010 and entered into between the Company and Aluminum Technology for a term of three years
“PRC”	the People’s Republic of China
“Renewed Purchase and Supply Framework Agreement”	the agreement dated 26 October 2012 and entered into between the Company and Aluminum Technology for a term of three years commencing on 1 January 2013 to 31 December 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	registered holder(s) of the shares of the Company

By Order of the Board
China Hongqiao Group Limited
Zhang Shiping
Chairman

Shandong, the PRC
26 October 2012

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