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慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 1122)

## ANNOUNCEMENT

### CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 23 December 2010, 26 March 2014, 21 August 2014, 12 December 2014, 27 April 2016, 22 December 2016 and 4 July 2018 in relation to the Existing Isuzu Technology Transactions, the Existing Technology Licence Transactions, the Existing Continuing Connected Transactions and the Existing Trademark Licensing Transactions entered into by the Group.

It is expected that the Group will from time to time continue to enter into transactions of a nature similar to Existing Continuing Connected Transactions after the expiry of the agreements to which the Existing Continuing Connected Transactions relate. Accordingly the Group now seeks to renew the said agreements on substantially the same terms and to enter into the following agreements with the Qingling Group Companies, which constitute continuing connected transactions under the Listing Rules:

*With the Qingling Group Companies:*

- (1) the New Chassis Supply Agreement dated 26 November 2019 entered into between the Company and Qingling Group (on behalf of itself and its subsidiary — Qingling Zhuanyong) relating to the supply of automobile chassis and related components by the Company to Qingling Group, details of which are set out in the section headed “THE NEW CHASSIS SUPPLY AGREEMENT”;
- (2) the New Parts Supply Agreements all dated 26 November 2019 entered into between the Company on the one part and Qingling Group (on behalf of itself and its subsidiaries — QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts), CQACL, CQCC (on behalf of itself and its subsidiary — CQVPM), CQFC, CQAC, CQNHK and CQPC, respectively relating to the supply of certain automobile parts respectively by Qingling Group, CQACL, CQCC, CQFC, CQAC, CQNHK and CQPC to the Company, and the supply of certain consolidated services by the Company to CQFC and the lease of certain machineries by the Company to CQAC, details of which are set out in the section headed “THE NEW PARTS SUPPLY AGREEMENTS”;

- (3) the New Qingling Group Moulds Supply Agreement dated 26 November 2019 entered into between Qingling Moulds and Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC relating to the supply of moulds and related products and/or maintenance and processing services by Qingling Moulds to each of the said companies, details of which are set out in the section headed “NEW QINGLING GROUP MOULDS SUPPLY AGREEMENT”;
- (4) the New Warehouse Leasing Agreement dated 26 November 2019 entered into between Qingling Group and the Company relating to the leasing of the Warehouses, land and other properties by the Company from Qingling Group, details of which are set out in the section headed “THE NEW WAREHOUSE LEASING AGREEMENT”;
- (5) the New Machinery Leasing Agreement dated 26 November 2019 entered into between CQFC and the Company relating to the leasing of certain equipment for processing of forging and casting parts by CQFC to the Company, details of which are set out in the section headed “THE NEW MACHINERY LEASING AGREEMENT”; and
- (6) the New Qingling Group Equipment Lease dated 26 November 2019 entered into between Qingling Group and the Company relating to the leasing of the Leased Equipment (Qingling Group) by the Qingling Group to the Company, details of which are set out in the section headed “THE NEW QINGLING GROUP EQUIPMENT LEASE”.

The Group also seeks to renew the Existing Continuing Connected Transactions with each of the Qingling Autoparts Companies, Qingling Moulds and Isuzu on substantially the same terms and to enter into the following agreements, which constitute continuing connected transactions under the Listing Rules:

*With the Qingling Autoparts Companies:*

- (7) the New Autoparts and Materials Agreement dated 26 November 2019 entered into between the Company and Qingling Autoparts Companies relating to the provision of scrap material, semi-finished auto parts and crafting materials by the Company to Qingling Autoparts Companies, details of which are set out in the section headed “NEW AUTOPARTS AND MATERIALS AGREEMENT”;

*With Qingling Moulds:*

- (8) the New Qingling Moulds Supply Agreement dated 26 November 2019 entered into between Qingling Moulds and the Company relating to the provision of moulds and related products and maintenance and processing services by Qingling Moulds to the Company and the provision of raw materials, processing services and consolidated services by the Company to Qingling Moulds, details of which are set out in the section headed “THE NEW QINGLING MOULDS SUPPLY AGREEMENT”; and
- (9) the New Qingling Moulds Lease dated 26 November 2019 entered into between the Company and Qingling Moulds relating to the leasing of the Land (Qingling Moulds) by the Company to the Qingling Moulds, details of which are set out in the section headed “THE NEW QINGLING MOULDS LEASE”.

*With Isuzu:*

- (10) the New Isuzu Supply Agreement dated 26 November 2019 entered into between Isuzu and the Company relating to the provision of automobile parts and components by Isuzu to the Company, details of which are set out in the section headed “NEW ISUZU SUPPLY AGREEMENT”; and
- (11) the New Company Supply Agreement dated 26 November 2019 entered into between Isuzu and the Company relating to the provision of accessory sets by the Company to Isuzu, details of which are set out in the section headed “NEW COMPANY SUPPLY AGREEMENT”.

The Company will also continue the transactions contemplated under the Trademark Licensing Agreement with Isuzu:

- (12) the 600P, 100P and TF/UC Agreement dated 26 March 2014 entered into between Isuzu and the Company relating to the granting of a non-transferrable right by Isuzu to the Company to use certain trademarks and emblems of Isuzu in the sale of the 600P, 100P and TF/UC series vehicles produced by the Company; and the 3XCAB Agreement dated 23 June 2016 entered into between Isuzu and the Company relating to the provision of technology and technical know-how, staff training and technical assistance and the permission to use certain trademarks and emblems of Isuzu, details of which are set out in the section headed “THE TRADEMARK LICENSING AGREEMENT”.

The Company will also continue the transactions contemplated under the existing Technology Transfer Agreements:

- (13) the F Chassis Technology Transfer Agreement dated 20 February 2000 entered into between Isuzu and the Company relating to the provision of technology and technical know-how in relation to the components of the F series chassis model by Isuzu to the Company, details of which are set out in the section headed “THE F CHASSIS TECHNOLOGY TRANSFER AGREEMENT”; and
- (14) the 700P3X Series Technology Transfer Agreement dated 23 May 2008 entered into between Isuzu and the Company relating to the provision of technology and technical know-how for the production of 700P3X series vehicles and related parts and components by Isuzu to the Company, details of which are set out in the section headed “THE 700P3X SERIES TECHNOLOGY TRANSFER AGREEMENT”.

Pursuant to the CYH Technology Licence Agreement, the CYZ Technology Licence Agreement and the EXR/EXZ Technology Licence Agreement, the Company is required to pay royalties to Isuzu based on the sale of the relevant vehicles. As the sale of CYH, CYZ and EXR/EXZ vehicles pursuant to the relevant Technology Licence Agreements commenced in 2017, the Company is paying royalties to Isuzu based on the sale of such vehicles and the transactions contemplated under each of the Technology Licence Agreements are continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, maximum aggregate amounts of considerations to be paid by the Company will be set in respect of each of the following Technology Licence Agreements as set out in the section headed “THE TECHNOLOGY LICENCE AGREEMENTS”:

- (15) (a) the CYH Technology Licence Agreement dated 27 April 2016 entered into between the Company and Isuzu relating to the provision of technology and technical know-how in relation to CYH vehicles by Isuzu to the Company in the PRC on an non-exclusive basis, details of which are set out in the section headed “CYH TECHNOLOGY LICENCE AGREEMENT” in the announcement of the Company dated 27 April 2016;
- (b) the CYZ Technology Licence Agreement dated 27 April 2016 entered into between the Company and Isuzu relating to the provision of technology and technical know-how in relation to CYZ vehicles by Isuzu to the Company in the PRC on an non-exclusive basis, details of which are set out in the section headed “CYZ TECHNOLOGY LICENCE AGREEMENT” in the announcement of the Company dated 27 April 2016; and
- (c) the EXR/EXZ Technology Licence Agreement dated 27 April 2016 entered into between the Company and Isuzu relating to the provision of technology and technical know-how in relation to EXR/EXZ vehicles by Isuzu to the Company in the PRC on an non-exclusive basis, details of which are set out in the section headed “EXR/EXZ TECHNOLOGY LICENCE AGREEMENT” in the announcement of the Company dated 27 April 2016.

In respect of the Existing Continuing Connected Transactions with each of QIEC, the Sales JV Company, Isuzu Qingling Engineering, IQAC and QIEC, Isuzu Qingling Engineering and IQAC, the Group also seeks to renew such transactions on substantially the same terms and to enter into the following agreements, which constitute continuing connected transactions under the Listing Rules:

*With QIEC:*

- (16) the New Supply Agreement dated 26 November 2019 entered into between the Company and QIEC relating to the provision of parts of engines and raw materials by the Company to QIEC, and the provision of engines and their parts by QIEC to the Company, details of which are set out in the section headed “THE NEW SUPPLY AGREEMENT”;
- (17) the New Equipment Lease dated 26 November 2019 entered into between the Company and QIEC relating to the leasing of the Leased Equipment (QIEC) by the Company to QIEC, details of which are set out in the section headed “THE NEW EQUIPMENT LEASE”;

- (18) the New Factory Lease dated 26 November 2019 entered into between the Company and QIEC relating to the leasing of the Leased Land and the Factory Premises by the Company to QIEC, details of which are set out in the section headed “THE NEW FACTORY LEASE”;
- (19) the New Consolidated Services Agreement dated 26 November 2019 entered into between the Company and QIEC relating to the provision of certain services by the Company to QIEC, details of which are set out in the section headed “THE NEW CONSOLIDATED SERVICES AGREEMENT”;

*With the Sales JV Company:*

- (20) the New Sales JV Supply Agreement dated 26 November 2019 entered into between the Company and the Sales JV Company relating to the provision of automobile and their parts by the Company to the Sales JV Company, details of which are set out in the section headed “THE NEW SALES JV SUPPLY AGREEMENT”;
- (21) the New Sales JV Lease dated 26 November 2019 entered into between the Company and the Sales JV Company relating to the leasing of the Sales JV Leased Land and the Sales JV Premises by the Company to the Sales JV Company, details of which are set out in the section headed “THE NEW SALES JV LEASE”;

*With Isuzu Qingling Engineering:*

- (22) the New Consolidated Services Agreement (Isuzu Qingling Engineering) dated 26 November 2019 entered into between the Company and Isuzu Qingling Engineering relating to the provision of certain services by the Company to Isuzu Qingling Engineering, details of which are set out in the section headed “THE NEW CONSOLIDATED SERVICES AGREEMENT (Isuzu Qingling Engineering)”;

*With QIEC and Isuzu Qingling Engineering:*

- (23) the New Testing Agreement dated 26 November 2019 entered into between the Company, QIEC and Isuzu Qingling Engineering relating to the provision of certain testing services by the Company to QIEC and Isuzu Qingling Engineering, details of which are set out in the section headed “THE NEW TESTING AGREEMENT”.



## REQUIREMENTS UNDER THE LISTING RULES

As at the date of this announcement, Qingling Moulds is owned as to 50.56% and 49.44% respectively by the Company and Isuzu. As Qingling Moulds is a non-wholly owned subsidiary of the Company and Isuzu is a substantial shareholder of the Company and is entitled to exercise, or control the exercise of, more than 10% of the voting power at any general meeting of Qingling Moulds, Qingling Moulds is also a connected person of the Company under Chapter 14A of the Listing Rules. As Qingling Group is a substantial shareholder of the Company holding approximately 50.10% of the entire issued share capital of the Company and CQCC, CQFC, CQACL, CQAC, CQPC, CQNHK, QAC, QM, Qingling Zhuanyong, Keyu Autoparts, CQVPM and Autoparts Manufacturing are owned as to 75%, 75%, 72.43%, 80%, 75.15%, 55.8%, 100%, 100%, 100%, 100%, 75% and 100% respectively by Qingling Group, they are associates of Qingling Group. Therefore, Qingling Group, CQCC, CQFC, CQACL, CQAC, CQPC, CQNHK, QAC, QM, Qingling Zhuanyong, Keyu Autoparts, CQVPM and Autoparts Manufacturing are all connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of each of the New Chassis Supply Agreement, the New Parts Supply Agreements, the New Qingling Group Moulds Supply Agreement, the New Warehouse Leasing Agreement, the New Machinery Leasing Agreement, the New Qingling Group Equipment Lease, the New Autoparts and Materials Agreement, the New Qingling Moulds Supply Agreement, the New Qingling Moulds Lease, the New Isuzu Supply Agreement and the New Company Supply Agreement therefore constitutes continuing connected transactions of the Company under the Listing Rules. The continuing of the Trademark Licensing Agreement, the Technology Transfer Agreements and the Technology Licence Agreements also constitutes continuing connected transactions of the Company under the Listing Rules.

As illustrated above, Qingling Group is a substantial shareholder of the Company and as at the date of this announcement, Isuzu is a substantial shareholder of the Company holding approximately 20.00% of the entire issued share capital of the Company, each of Qingling Group and Isuzu is therefore a connected person of the Company. The Sales JV Company is owned as to 50% and 50% respectively by the Company and Isuzu, Isuzu Qingling Engineering is owned as to 25% and 75% respectively by the Company and Isuzu and QIEC is owned as to 50.61%, 30.06% and 19.33% respectively by Isuzu, the Qingling Group and the Company. Consequently, each of QIEC, the Sales JV Company and Isuzu Qingling Engineering is a connected person of the Company under the Listing Rules. The entering into of each of (i) the New Supply Agreement, the New Equipment Lease, the New Factory Lease, the New Consolidated Services Agreement with QIEC; (ii) the New Sales JV Supply Agreement, the New Sales JV Lease with the Sales JV Company; (iii) the New Consolidated Services Agreement (Isuzu Qingling Engineering) with Isuzu Qingling Engineering; and (iv) the New Testing Agreement with QIEC and Isuzu Qingling Engineering therefore constitutes continuing connected transactions of the Company under the Listing Rules.

## **Non-exempt Continuing Connected Transactions**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under the following agreements will, on an annual basis, be more than 5%, such continuing connected transactions are subject to reporting and announcement requirements set out in Rules 14A.49 and 14A.35, the annual review requirements set out in Rules 14A.55 and 14A.59 and also the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- (i) the New Parts Supply Agreements as aggregated in accordance with Rules 14A.81 to 14A.83 of the Listing Rules;
- (ii) the New Chassis Supply Agreement;
- (iii) the New Isuzu Supply Agreement;
- (iv) the New Supply Agreement; and
- (v) the New Sales JV Supply Agreement.

## **Continuing Connected Transactions exempt from the Independent Shareholders' approval requirements**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under the following agreements will, on an annual basis, be more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting and announcement requirements set out in Rules 14A.49 and 14A.35 and annual review requirements set out in Rules 14A.55 to 14A.59 but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- (i) the New Qingling Group Moulds Supply Agreement;
- (ii) the New Warehouse Leasing Agreement;
- (iii) the New Machinery Leasing Agreement;
- (iv) the New Qingling Group Equipment Lease;
- (v) the New Autoparts and Materials Agreement;
- (vi) the New Qingling Moulds Supply Agreement;
- (vii) the Trademark Licensing Agreement;
- (viii) the Technology Transfer Agreements and the Technology Licence Agreements, as aggregated in accordance with Rules 14A.81 to 14A.83 of the Listing Rules;

- (ix) the New Equipment Lease;
- (x) the New Testing Agreement;
- (xi) the New Company Supply Agreement; and
- (xii) the New Consolidated Services Agreement.

**Continuing Connected Transactions exempt from the report, annual review, announcement and Independent Shareholders' approval requirements**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual values for the continuing connected transactions under the following agreements will, on an annual basis, be less than 0.1%, such continuing connected transactions are exempt from the reporting and announcement requirements set out in Rules 14A.49 and 14A.35, the annual review requirements set out in Rules 14A.55 to 14A.59 and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- (i) the New Qingling Moulds Lease;
- (ii) the New Factory Lease;
- (iii) the New Sales JV Lease; and
- (iv) the New Consolidated Services Agreement (Isuzu Qingling Engineering).

A circular containing, among other things, details of the Non-exempt Continuing Connected Transactions, a letter from the Independent Board Committee and a letter of advice from the Independent Financial Adviser, together with the notice of the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. As additional time is required to prepare and finalise the aforesaid information to be included in the circular, the circular is expected to be despatched by the Company on or before 4 February 2020.

As the term of each of the Technology Transfer Agreements, the Technology Licence Agreements and the Trademark Licensing Agreement exceed 3 years, pursuant to Rule 14A.52 of the Listing Rules, the Company has engaged the Independent Financial Adviser to review the Technology Transfer Agreements, the Technology Licence Agreements and the Trademark Licensing Agreement, who has confirmed that it is in the normal business practice for contracts of this type to be of such duration.

Qingling Group and its associates will be required to abstain from voting on ordinary resolutions in respect of the New Chassis Supply Agreement, the New Parts Supply Agreements, the New Supply Agreement and their respective annual caps.

Isuzu and its associates will be required to abstain from voting on ordinary resolutions in respect of the New Isuzu Supply Agreement, the New Parts Supply Agreements, the New Supply Agreement, the New Sales JV Supply Agreement and their respective annual caps.



## INTRODUCTION

The Group has continued to carry on the Existing Continuing Connected Transactions, the Existing Isuzu Technology Transactions, the Existing Technology Licence Transactions and the Existing Trademark Licensing Transactions, as announced on 23 December 2010, 26 March 2014, 21 August 2014, 12 December 2014, 27 April 2016, 22 December 2016 and 4 July 2018 respectively, which include, among other things, transactions under the following agreements:

- (i) the Isuzu Supply Agreement which shall expire on 31 December 2019;
- (ii) the Company Supply Agreement which shall expire on 31 December 2019;
- (iii) the 700P3X Series Technology Transfer Agreement;
- (iv) the F Chassis Technology Transfer Agreement;
- (v) the CYH Technology Licence Agreement;
- (vi) the CYZ Technology Licence Agreement;
- (vii) the EXR/EXZ Technology Licence Agreement;
- (viii) the Chassis Supply Agreement which shall expire on 31 December 2019;
- (ix) the Parts Supply Agreements which shall expire on 31 December 2019;
- (x) the Warehouse Leasing Agreement which shall expire on 31 December 2019;
- (xi) the Machinery Leasing Agreement which shall expire on 31 December 2019;
- (xii) the Qingling Group Equipment Lease which shall expire on 31 December 2019;
- (xiii) the Qingling Moulds Supply Agreement which shall expire on 31 December 2019;
- (xiv) the Qingling Group Moulds Supply Agreement which shall expire on 31 December 2019;
- (xv) the Trademark Licensing Agreement;
- (xvi) the Autoparts and Materials Agreement which shall expire on 31 December 2019;
- (xvii) the Qingling Moulds Lease which shall expire on 31 December 2019;
- (xviii) the Supply Agreement which will expire on 31 December 2019;
- (xix) the Equipment Lease which will expire on 31 December 2019;
- (xx) the Factory Lease which will expire on 31 December 2019;
- (xxi) the Consolidated Services Agreement which will expire on 31 December 2019;

- (xxii) the Sales JV Supply Agreement which will expire on 31 December 2019;
- (xxiii) the Sales JV Lease which will expire on 31 December 2019;
- (xxiv) the Consolidated Services Agreement (Isuzu Qingling Engineering) which will expire on 31 December 2019;
- (xxv) the Supply Agreement (IQAC) which will expire on 31 December 2019; and
- (xxvi) the Testing Agreement which will expire on 31 December 2019.

Details of the Existing Continuing Connected Transactions, the Existing Isuzu Technology Transactions, the Existing Technology Licence Transactions, and the Existing Trademark Licensing Transactions are more particularly set out in the announcements dated 23 December 2010, 26 March 2014, 21 August 2014, 12 December 2014, 27 April 2016, 22 December 2016 and 4 July 2018 respectively.

It is expected that the Group will from time to time continue to enter into transactions of a nature similar to the Existing Continuing Connected Transactions after the expiry of the agreements to which the Existing Continuing Connected Transactions relate. Accordingly, the Group now seeks to renew the said agreements on substantially the same terms and has entered into the agreements numbered (1) to (6) below with the Qingling Group Companies. The Company also seeks to renew the said agreements on substantially the same terms and has entered into the agreements numbered (7) below with Qingling Autoparts Companies, the agreements numbered (8) to (9) below with Qingling Moulds and the agreements numbered (10) to (11) below with Isuzu.

The Company also expects to continue the transactions under the Trademark Licensing Agreement with Isuzu numbered (12) and the transactions under the Technology Transfer Agreements and the Technology Licence Agreements numbered (13) to (15) below.

In respect of the Existing Continuing Connected Transactions with each of (i) QIEC, (ii) the Sales JV Company, (iii) Isuzu Qingling Engineering, and (iv) QIEC and Isuzu Qingling Engineering, the Group also seeks to renew the said transactions on substantially the same terms and has entered into the agreements numbered (16) to (19) below with QIEC, the agreements numbered (20) to (21) with the Sales JV Company, the agreement numbered (22) below with Isuzu Qingling Engineering, and the agreement numbered (23) below with QIEC and Isuzu Qingling Engineering.

The above transactions constitute continuing connected transactions under the Listing Rules.

# **I. CONTINUING CONNECTED TRANSACTIONS WITH THE QINGLING GROUP COMPANIES**

## **1. THE NEW CHASSIS SUPPLY AGREEMENT**

Date	:	26 November 2019
Parties	:	(i) the Company; and  (ii) Qingling Group (on behalf of itself and its subsidiary — Qingling Zhuanyong)
Term	:	From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Condition precedent	:	Conditional upon approval by the Independent Shareholders at the EGM
Products supplied by the Company to Qingling Group	:	Automobile chassis and related components
Price determination	:	By reference to the market prices of the chassis and related components
Payment term	:	A credit term of 3 to 6 months after sales

The New Chassis Supply Agreement is a master agreement which sets out the principles upon which detailed terms in relation to the supply of automobile chassis and related components by the Company to Qingling Group are to be determined.

Pursuant to the New Chassis Supply Agreement, the Company will enter into definitive agreements with Qingling Group from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Chassis Supply Agreement. Such detailed terms include but not limited to prices, payment and settlement terms, quantity, standard of quality, testing, product liability, liability for compensation and other terms and conditions in relation to the provision of the automobile chassis and related components.

The Company and Qingling Group agree that such definitive agreements shall be on normal commercial terms or, if there is no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms fair and reasonable to the Company. Qingling Group also undertakes that the terms offered to the Company shall be no less favourable than terms offered to Independent Third Parties in the market where Qingling Group operates.

Should Qingling Group cease to be a connected person of the Company and the transactions under the New Chassis Supply Agreement cease to be a continuing connected transaction of the Company, Qingling Group is entitled to terminate the New Chassis Supply Agreement by notifying the Company in writing.

### Historical transaction amounts

The actual amount paid in respect of the transactions contemplated under the Chassis Supply Agreement and the annual caps for each such payments are as follows:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Chassis Supply Agreement	1,419,790,000	1,239,140,000	1,081,250,000	2,243,460,000	2,654,710,000	3,066,800,000

None of the actual amounts received above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the amount for the year ending 31 December 2019 will not exceed the annual cap for the corresponding year or period.

### Basis of consideration

The consideration under the New Chassis Supply Agreement is set by the Board by reference to the market prices of the chassis and related components, and determined after arm's length negotiations between the parties thereto. In determining the market price of the chassis and the relevant parts, the Company will make reference to the price of the chassis and the relevant parts with similar specifications, technology and quality requirements in the automobile market.

The profit margin level of automobile chassis and related components supplied by the Company to Qingling Group under the New Chassis Supply Agreement is consistent with the profit margin level of same type of products sold to Independent Third Parties.

The Directors (excluding the independent non-executive Directors who will form their view after taking into account recommendations of the Independent Financial Adviser) are of the view that the New Chassis Supply Agreement is on normal commercial terms, and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **Proposed annual caps**

The table below sets out the proposed caps for the transactions under the New Chassis Supply Agreement:

	<b>Proposed annual caps</b>		
	<b>Aggregate amount (in RMB)</b>		
	<b>For the</b>	<b>For the</b>	<b>For the year</b>
	<b>year ending</b> <b>31 December</b> <b>2020</b>	<b>year ending</b> <b>31 December</b> <b>2021</b>	<b>ending</b> <b>31 December</b> <b>2022</b>
New Chassis Supply Agreement	2,145,830,000	2,456,920,000	3,058,420,000

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Chassis Supply Agreement and the aforesaid annual caps.

## **Basis of proposed annual caps**

The aforesaid proposed annual caps for the transactions contemplated under the New Chassis Supply Agreement are set by the Board by reference to the actual amounts of transactions received by the Company under the Chassis Supply Agreement and the anticipated market demand in relation to the automobile chassis and related components for the periods/years under the New Chassis Supply Agreement.

## **Reasons for entering into the New Chassis Supply Agreement**

The Company has been selling chassis to vehicle refitting manufacturers. In order to increase the market sales volume and the market share of the Company, Qingling Group purchases chassis from the Company to manufacture modified vehicles (including but not limited to automobiles for transportation and cold-storage vehicles), so as to meet the customized requirements for vehicles from customers, and in turn enhance the sales of chassis of the Company. Therefore, the parties entered into the New Chassis Supply Agreement.



## **2. THE NEW PARTS SUPPLY AGREEMENTS**

### **a. THE NEW CQACL AGREEMENT**

Date	:	26 November 2019
Parties	:	(i) CQACL; and (ii) The Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders at the EGM
Term	:	From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Products provided by CQACL to the Company	:	Automobile parts including but not limited to aluminium parts and other parts and components
Price determination	:	Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined by reference to the following pricing policy:  (i) at prices not higher than market prices; or  (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%.  In any event, on terms no less favourable than those offered by CQACL to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

## **b. THE NEW QINGLING GROUP AGREEMENT**

Date	:	26 November 2019
Parties	:	(i) Qingling Group (on behalf of itself and its subsidiaries — QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts); and  (ii) The Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders at the EGM
Term	:	From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Products provided by Qingling Group to the Company	:	Automobile parts including but not limited to stamping components, compartments, machining components and other parts and components
Price determination	:	Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined by reference to the following pricing policy:  (i) at prices not higher than market prices; or  (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%.  In any event, on terms no less favourable than those offered by Qingling Group to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

**c. THE NEW CQCC AGREEMENT**

Date	: 26 November 2019
Parties	: (i) CQCC (on behalf of itself and its subsidiary — CQVPM); and  (ii) The Company
Condition precedent	: Conditional upon approval by the Independent Shareholders at the EGM
Term	: From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Products provided by CQCC to the Company	: Automobile parts including but not limited to casts of engine cylinder blocks, cylinder heads and main bearing covers and other parts and components
Price determination	: Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined by reference to the following pricing policy:  (i) at prices not higher than market prices; or  (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%.  In any event, on terms no less favourable than those offered by CQCC to Independent Third Parties
Payment term	: Payment within one month after receipt of the invoice

#### **d. THE NEW CQFC AGREEMENT**

Date	:	26 November 2019
Parties	:	(i) CQFC; and (ii) The Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders at the EGM
Term	:	From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Products provided by CQFC to the Company	:	Automobile parts including but not limited to raw casts of engine crankshafts and connected rods and other parts and components
Services provided by Company to CQFC	:	The following consolidated services will be the provided by the Company to CQFC, inter alia:  (a) water, electricity and gas supply services;  (b) equipment repair technical services; and  (c) medical and hygiene services.
Price determination	:	<i>With respect to automobile parts:</i>  Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined by reference to the following pricing policy:  (i) at prices not higher than market prices; or

- (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%.

In any event, on terms no less favourable than those offered by CQFC to Independent Third Parties

*With respect to consolidated services:*

At prices based on actual costs incurred plus taxes payable

Payment term : Payment within one month after receipt of the invoice

With respect to the supply of consolidated services by the Company to CQFC, should CQFC cease to be a connected person of the Company and the consolidated services transactions under the New CQFC Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the supply of consolidated services to CQFC by notifying CQFC in writing.

#### **e. THE NEW CQAC AGREEMENT**

Date : 26 November 2019

Parties : (i) CQAC; and  
(ii) The Company

Condition precedent : Conditional upon approval by the Independent Shareholders at the EGM

Term : From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)

Products provided by CQAC to the Company : Automobile parts including but not limited to front and rear motor vehicle axles and other parts and components



Products/services provided by the Company to CQAC	: Lease of machineries by the Company to CQAC for production and testing of front and rear motor vehicle axles to be provided by CQAC to the Company
Price determination	<p>: <i>With respect to automobile parts:</i></p> <p>Currently at prices not higher than market prices determined by reference to the following pricing policy:</p> <ul style="list-style-type: none"> <li>(i) at prices not higher than market prices; or</li> <li>(ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%.</li> </ul> <p>In any event, on terms no less favourable than those offered by CQAC to Independent Third Parties</p> <p><i>With respect to lease of machineries:</i></p> <p>Rentals for lease of machineries are as follows:</p> <ul style="list-style-type: none"> <li>(i) RMB382,686 (exclusive of VAT) (from 1 January 2020 to 31 December 2020)</li> <li>(ii) RMB382,686 (exclusive of VAT) (from 1 January 2021 to 31 December 2021)</li> <li>(iii) RMB382,686 (exclusive of VAT) (from 1 January 2022 to 31 December 2022)</li> </ul> <p>Rentals payable are determined based on normal commercial terms which are no less favourable than those offered by CQAC to Independent Third Parties.</p>
Payment term	<p>: <i>With respect to automobile parts:</i></p> <p>Payment within one month after receipt of the invoice</p> <p><i>With respect to lease of machineries:</i></p> <p>Payment on a monthly basis before the expiry of the following month</p>

**f. THE NEW CQNHK AGREEMENT**

Date	: 26 November 2019
Parties	: (i) CQNHK; and (ii) The Company
Condition precedent	: Conditional upon approval by the Independent Shareholders at the EGM
Term	: From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Products provided by CQNHK to the Company	: Automobile parts including but not limited to motor vehicle seats and other parts and components
Price determination	: Currently at prices not higher than market prices determined by reference to the following pricing policy:  (i) at prices not higher than market prices; or  (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%.  In any event, on terms no less favourable than those offered by CQNHK to Independent Third Parties
Payment term	: Payment within one month after receipt of the invoice

**g. THE NEW CQPC AGREEMENT**

Date	: 26 November 2019
Parties	: (i) CQPC; and (ii) The Company
Condition precedent	: Conditional upon approval by the Independent Shareholders at the EGM
Term	: From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Products provided by CQPC to the Company	: Automobile parts including but not limited to plastic parts and other parts and components
Price determination	: Currently at prices not higher than market prices determined by reference to the following pricing policy:  (i) at prices not higher than market prices; or  (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%.  In any event, no less favourable than those offered by CQPC to Independent Third Parties
Payment term	: Payment within one month after receipt of the invoice

## Historical transaction amounts

The following table sets out the approximate historical transaction amounts for the Parts Supply Agreements together with their respective annual caps for the relevant periods or years:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
CQACL Agreement	9,290,000	11,070,000	7,610,000	12,430,000	19,130,000	22,570,000
Qingling Group Agreement	10,720,000	20,530,000	11,910,000	135,370,000	178,330,000	220,860,000
CQCC Agreement	25,970,000	30,520,000	20,620,000	46,030,000	69,350,000	84,890,000
CQFC Agreement	37,640,000	42,710,000	28,630,000	66,690,000	105,500,000	127,970,000
CQAC Agreement	393,660,000	422,240,000	306,140,000	836,420,000	1,395,320,000	1,801,540,000
CQNHK Agreement	55,100,000	61,350,000	44,710,000	91,690,000	151,440,000	186,940,000
CQPC Agreement	62,310,000	59,320,000	43,620,000	104,860,000	171,950,000	210,520,000

None of the aggregate amounts above for the two years ended 31 December 2018 exceeded their respective amounts incurred for the corresponding years. It is expected that the respective amounts incurred for the year ending 31 December 2019 will not exceed their respective caps for the corresponding year or period.

## Projected transaction amounts

The Directors project that the projected transaction amounts under each of the New Parts Supply Agreements for the three years ending 31 December 2022 will not exceed the amounts set out below:

	Projected transaction amounts Aggregate amounts (in RMB)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
New CQACL Agreement	19,020,000	25,670,000	33,210,000
New Qingling Group Agreement	108,120,000	130,000,000	164,490,000
New CQCC Agreement	41,120,000	46,290,000	57,010,000
New CQFC Agreement			
(a) the value of automobile parts from CQFC to the Company	49,080,000	54,080,000	64,320,000
(b) the value of consolidated services from the Company to CQFC	3,190,000	3,640,000	4,550,000
New CQAC Agreement			
(a) the value of automobile parts from CQAC to the Company	708,320,000	852,210,000	1,090,280,000
(b) the value of machinery leasing from the Company to CQAC	390,000	390,000	390,000
New CQNHK Agreement	116,760,000	141,810,000	175,100,000
New CQPC Agreement	100,720,000	125,830,000	163,040,000

## Basis of consideration

The considerations payable by the Company under the New Parts Supply Agreements are determined:

- (i) after arm's length negotiations between the parties thereto; and
- (ii) by reference to the statistics published in the "China Automotive Industry Yearbook" (中國汽車工業年鑒), according to which the average profit margin of the automobile industry in the PRC was 7.51% in 2018.



The above average profit margin of 7.51% for the automobile industry in the PRC in 2018 as quoted from “China Automotive Industry Yearbook” is an average level and the actual profit margin will vary from transaction to transaction depending on the nature, prevailing market prices, technology specifications, quality standards of the parts and the supply-demand relationship in the market. In addition to the statistics published in “China Automotive Industry Yearbook”, the Company and Qingling Group have also taken reference from the historical transaction prices of the parts in determining the maximum profit margin level. Furthermore, the profit margin of certain parts are relatively higher as it involves complex technologies and it is relatively difficult to implement quality control. As such, the Company and Qingling Group Companies agree to set the maximum profit margin for supplying parts under the New Parts Supply Agreements at 8%, while the actual profit margin will be determined based on the nature, functionality, technology and quality standards of different parts.

Currently, the Company is the only enterprise in the PRC engaging in the manufacturing of commercial vehicles under the brand name of Isuzu, and the Company and Qingling Group Companies are responsible for assembling certain parts of vehicles based on the product drawings, technology specifications, and quality standards given or confirmed by Isuzu under its guidance. In the event that an Independent Third Party is not authorised by Isuzu or the Company, it will not be able to produce relevant parts and meet the quality standards of Isuzu. Since no authorisation is given to Independent Third Parties in the market for the production of most of the parts supplied by Isuzu to the Company for assembling Isuzu commercial vehicles, no comparable market price is available for those parts, which include cylinder blocks, cylinder heads, rod castings of engines, specified axles for Isuzu 100P\600P\700P\F light-, medium-, and heavy-duty trucks, supplied under the New Parts Supply Agreements.

On the other hand, comparable market prices are available for a few of the parts supplied under the New Parts Supply Agreements, such as engine oil pans. As such, the Company will determine the market price of those parts based on the price of the parts with similar specifications, technology and quality requirements etc. in the automotive parts market.

If there is no comparable market price, the consideration in respect of the corresponding parts supplied under the New Parts Supply Agreements will be determined by reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%, which is the maximum consideration to be payable by the Company under the New Parts Supply Agreements. The actual consideration to be payable by the Company will be determined by reference to the prevailing market conditions and in any event on terms no less favourable to the Company than terms offered to Independent Third Parties.

The Directors (excluding the independent non-executive Directors who will form their view after taking into account recommendations of the Independent Financial Adviser) are of the view that the New Parts Supply Agreements are on normal commercial terms, and that their terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## Proposed annual caps

The table below sets out the proposed caps in aggregate for the transactions under each of the New Parts Supply Agreements:

	Proposed annual caps Aggregate amount (in RMB)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
New Parts Supply Agreements	1,146,720,000	1,379,920,000	1,752,390,000

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Parts Supply Agreements and the aforesaid aggregated annual caps, which are set by reference to the above projected transaction amounts.

## Basis of proposed annual caps

The aforesaid proposed annual caps are ascertained by reference to (i) the historical sales volume; (ii) the projected sales volume for the three years ending 31 December 2022; and (iii) the expected increase in the number of new vehicles of new models or different specifications to be launched and made available for sale by the Company.

## Reasons for entering into the New Parts Supply Agreements

As the Company mainly produces various types of vehicles and components under the brand of Isuzu, the Company has to, from time to time, in the course of its business, purchase: (i) stamping components, compartments and other parts and components; (ii) casts of engine cylinder blocks, cylinder heads and main bearing covers and other parts and components; (iii) raw forgings of engine crankshafts, connecting rods and other parts and components; (iv) front and rear motor vehicle axles and other parts and components; (v) motor vehicle seats and other parts and components; (vi) plastic parts and other parts and components; and (vii) aluminum parts and other parts and components. Since the principal businesses of Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL include the production and retail of products mentioned in the items (i) to (vii) above; and the Qingling Group Companies produces such products in good quality and are willing to produce such products in accordance with the specifications of the Company, hence the Company purchases the said products from the Qingling Group Companies (as the case may be).

As the Company mainly manufactures automobiles under the brand of Isuzu, the Company's specifications for all product parts must conform with Isuzu's standards. Each connected person has already obtained from Isuzu the technical know-how and specific equipment, hence they are capable of manufacturing based on the specifications of Isuzu's product parts. The Directors believe that the other suppliers do

not possess such technical know-how and specific equipment that Isuzu has, and that even if the other suppliers may manufacture parts according to the same specifications, the quality of these products may not conform with the standards of Isuzu. Therefore, in view of the fact that the Group does not require any other products than those supplied by its connected persons, it is of the view that it would not be necessary to look for other sources.

Further, CQFC requires various supporting services such as repair and maintenance services for the machineries and other auxiliary and utility-related services to carry out its regular operations. The Directors believe that provision of those services as set out in the New CQFC Agreement by the Company to CQFC would facilitate the operation of the Group and minimise the costs of the Group in setting up crews to handle the repair and maintenance services and other related services. Also, CQAC requires certain machineries for its production and inspection of vehicle axles. Such vehicle axles will then be provided by CQAC to the Company. The Directors believe that the leasing of such machineries by the Company to CQAC as set out in the New CQAC Agreement would utilise the Group's resources fully and centralise management of the Group.

### **3. THE NEW QINGLING GROUP MOULDS SUPPLY AGREEMENT**

Date : 26 November 2019

Parties : (i) Qingling Moulds;  
(ii) Qingling Group;  
(iii) CQCC;  
(iv) CQFC;  
(v) CQPC;  
(vi) CQACL;  
(vii) CQNHK;  
(viii) QIEC; and  
(ix) CQAC

Term : From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)

Nature of the transaction	:	Provision of moulds and related products and maintenance and processing services by Qingling Moulds to Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC
Price determination	:	As there are no sufficient comparable transactions, the consideration is determined by reference to reasonable costs incurred plus a profit margin of not more than 8%

The New Qingling Group Moulds Supply Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between Qingling Moulds on the one hand, and Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC on the other. Pursuant to the New Qingling Group Moulds Supply Agreement, Qingling Moulds will enter into definitive agreements with Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Qingling Group Moulds Supply Agreement. Such detailed terms include, but without limitation, prices, payment and settlement terms, quantities, standard of quality and inspection of products (where applicable) and other terms and conditions in relation to the provision of products and/or services. Qingling Moulds, Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms fair and reasonable to Qingling Moulds. Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC also undertake that the terms offered to Qingling Moulds shall be no less favourable than terms offered to Independent Third Parties.

The transactions contemplated under the New Qingling Group Moulds Supply Agreement relate to the sale of moulds and related products and/or the provision of maintenance and processing services by Qingling Moulds to the relevant Qingling Group Companies and QIEC whereas the transactions contemplated under the New Parts Supply Agreements relate to the purchase of automobile parts from the Qingling Group Companies. Therefore, the transactions contemplated under the New Qingling Group Moulds Supply Agreement will not be aggregated with the transactions contemplated under the New Parts Supply Agreements and Rules 14A.81 and 14A.83 of the Listing Rules will not apply.

## Historical transaction amounts

The actual amounts paid in respect of transactions under the Qingling Group Moulds Supply Agreement paid by Qingling Group, CQCC, CQFC, CQPC and CQACL and the annual caps for such payment for the corresponding years or periods are as follows:

	Actual amount paid (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Qingling Group Moulds Supply Agreement	410,000	310,000	170,000	8,190,000	8,190,000	8,190,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amounts for the year ending 31 December 2019 will not exceed the respective caps for the corresponding years.

## Basis of consideration

The consideration payable by the relevant Qingling Group Companies and QIEC under the New Qingling Group Moulds Supply Agreement is determined after arm's length negotiations between the parties thereto and on terms no less favourable to Qingling Moulds than terms offered to Independent Third Parties. The Directors (including independent non-executive Directors) are of the view that the New Qingling Group Moulds Supply Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that their terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## Proposed annual caps

	Proposed annual caps Aggregate amount (in RMB)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
New Qingling Group Moulds Supply Agreement	2,750,000	3,800,000	4,700,000



## **Basis of proposed annual caps**

The aforesaid proposed annual caps for the New Qingling Group Moulds Supply Agreement in the relevant periods are determined based on the estimated amounts of moulds and related products (including aluminium, forging and plastic mould products) required by Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC for the production of an estimated number of different types of automobile parts and components for 2020, 2021 and 2022.

## **Reasons for entering into the New Qingling Group Moulds Supply Agreement**

The products manufactured by Qingling Group are required to meet the standards required by Isuzu. As the moulds manufactured by Qingling Moulds are of the quality and fulfill the technology standard so required, and the price is lower than similar imported products, Qingling Group wishes to continue purchasing moulds from Qingling Moulds through entering into the New Qingling Group Moulds Supply Agreement.

## **4. THE NEW WAREHOUSE LEASING AGREEMENT**

Date	: 26 November 2019
Parties	: (i) Qingling Group (for itself and on behalf of its wholly-owned subsidiary, 重慶慶鈴科渝汽車配件有限公司 Chongqing Qingling Keyu Autoparts Co., Ltd.); and  (ii) the Company
Nature of the transaction	: Leasing of the following land lot and premises located on the Land from Qingling Group (or its wholly-owned subsidiary, 重慶慶鈴科渝汽車配件有限公司 Chongqing Qingling Keyu Autoparts Co., Ltd.) to the Company:  (i) the Warehouses, including open storage with an area of approximately 25,833.51m <sup>2</sup> and indoor storage with an area of approximately 50,000m <sup>2</sup> ;  (ii) the land lot with an area of approximately 20,697m <sup>2</sup> , for use as an inspection, testing and operation site for autoparts;  (iii) the land lot with an area of approximately 19,880.4m <sup>2</sup> , for storage of autoparts and raw materials;

- (iv) the land lot with an area of approximately 10,000m<sup>2</sup>
- (v) the premises used as the cultural and educational center with an area of approximately 4,784.28m<sup>2</sup>; and
- (vi) the land lot with an area of approximately 22,507.7m<sup>2</sup>, which is located on the east side of CQFC

Term : From 1 January 2020 to 31 December 2022

Consideration and method of payment : The annual rents for the Warehouses in item (i), the inspection, testing and operation site in item (ii) and the land in item (iii) under the subparagraph headed “Nature of the transaction” above are RMB5,840,330.58 (exclusive of VAT), RMB960,614.52(exclusive of VAT) and RMB922,713.48 (exclusive of VAT), respectively. The annual rents for the land in item (iv), the premises used as the cultural and educational center in item (v) and the land lot in item (vi) are RMB464,132.23 (exclusive of VAT), RMB830,000.00 (exclusive of VAT) and RMB1,028,923.81 (exclusive of VAT), respectively. Such annual rents are payable in full by the Company in arrears within January each year.

The rents as set out above total RMB10,046,714.62 per annum (exclusive of VAT)

## Historical transaction amounts

The table below sets forth the actual amounts paid by the Company during relevant period or years under the Warehouse Leasing Agreement (the land and premises leased thereunder are those set out in items (i) to (iv) under the subparagraph headed “Nature of the transaction” above) and the corresponding annual caps:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Warehouse Leasing Agreement	8,110,000	8,170,000	6,140,000	9,030,000	9,030,000	9,030,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding annual cap for that year.

There are no historical transaction amounts for the land premises set out in items (v) and (vi) under the subparagraph headed “Nature of the transaction” above as they are newly leased.

## Basis of consideration

The aforesaid consideration for the leasing of the Warehouses (i.e. item (i) under the subparagraph headed “Nature of the transaction” above) is determined on normal commercial terms through arm’s length negotiations between the parties thereto and shall not be higher than the prevailing market price or not be less favourable to the Company than the prices offered by Qingling Group to Independent Third Parties. The considerations for the leasing of the land lots as stated in items (ii) to (iv) under the subparagraph headed “Nature of the transaction” above are determined on normal commercial terms through arm’s length negotiations between the parties thereto with reference to the prevailing market rent and existing rent payable by the Group under the warehouse leasing agreements, and shall not be higher than the market prices or not be less favourable to the Company than the prices offered by Qingling Group to Independent Third Parties. The considerations for the leasing of the land properties as mentioned in items (v) and (vi) under the subparagraph headed “Nature of the transaction” above are determined on normal commercial terms through arm’s length negotiations between the parties thereto and shall not be less favourable to the Company than the prices offered by Independent Third Parties for leasing of comparable properties.

## **Proposed annual caps**

The Directors propose the annual caps of the amounts to be paid by the Group for the transactions contemplated under the New Warehouse Leasing Agreement for the relevant periods to be as follows:

	<b>Proposed annual caps (in RMB)</b>		
	<b>For the year</b>	<b>For the year</b>	<b>For the year</b>
	<b>ending 31</b>	<b>ending 31</b>	<b>ending 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
New Warehouse Leasing Agreement	10,080,000	10,080,000	10,080,000

## **Basis of proposed annual caps**

The aforesaid proposed annual caps of the New Warehouse Leasing Agreement are determined based on the rentals payable by the Company to Qingling Group and its relevant subsidiaries under the New Warehouse Leasing Agreement.

## **Reasons for entering into the New Warehouse Leasing Agreement**

The Company requires storage capacity for imported parts, components and stock. As Qingling Group possesses free space for the required storage of the Company, and in view of the convenient location of the Warehouses from the production plants of the Company such that inventory can be stored and retrieved easily, the Group intends to continue to rent the Warehouses from Qingling Group.

Also, the Company's headquarter is located at the Land. Owing to the continuous development of the Group, additional space is required by the Group to meet its operational needs including for storage of autoparts and raw materials, for testing of autoparts for developing products by the development department, and for using as storerooms. Accordingly, the Group intends to continue the leasing of land and premises from Qingling Group.

Hence, the parties entered into the New Warehouse Leasing Agreement.

The Directors (including independent non-executive Directors) are of the view that the terms of the New Warehouse Leasing Agreement are fair and reasonable, and that relevant transactions will be conducted on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

## 5. THE NEW MACHINERY LEASING AGREEMENT

Date	:	26 November 2019
Parties	:	(i) the CQFC; and (ii) the Company
Nature of the transaction	:	Leasing of equipment for processing of casting and forging parts by CQFC to the Company
Term	:	From 1 January 2020 to 31 December 2022
Consideration and method of payment	:	The rental of the above-mentioned casting and forging parts processing equipment is RMB19,974,359 (exclusive of VAT) each year. The Company should pay in full the rent of each quarter within 30 days after the end of that quarter.

### Historical transaction amounts

The actual amount paid for renting relevant casting and forging parts processing equipment by the Company pursuant to the Machinery Leasing Agreement and the annual caps for such payment in the relevant periods or years are as follows:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December	For the year ended 31 December	For the period from 1 January to 31 October	For the year ended 31 December	For the year ended 31 December	For the year ended 31 December
	2017	2018	2019	2017	2018	2019
Machinery Leasing Agreement	19,970,000	20,090,000	16,790,000	23,370,000	23,370,000	23,370,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregated amounts for the year ending 31 December 2019 will not exceed the relevant cap for the corresponding year.

### Basis of consideration

The consideration which shall be paid by the Company under the New Machinery Leasing Agreement is determined on normal commercial terms through arm's length negotiations between the parties thereto and lease terms no less favourable to the Company than that provided by the CQFC to the Independent Third Party.

## **Proposed annual caps**

The Group set out the amounts of the annual caps for the transactions contemplated under the New Machinery Leasing Agreement for the relevant periods proposed by Directors as follows:

	<b>Proposed annual caps (in RMB)</b>		
	<b>For the year</b>	<b>For the year</b>	<b>For the year</b>
	<b>ending 31</b>	<b>ending 31</b>	<b>ending 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
New Machinery Leasing Agreement	19,980,000	19,980,000	19,980,000

## **Basis of proposed annual caps**

The aforesaid proposed annual caps for the New Machinery Leasing Agreement are determined in accordance with the estimated rentals payable by the Company to CQFC under the New Machinery Leasing Agreement.

## **Reasons for entering into the New Machinery Leasing Agreement**

As new products of the Company are continuously being marketed and as the Company's production scale expands continuously, additional demand for processing and expansion of production capacity are expected. The machineries leased pursuant to the New Machinery Leasing Agreement will become an essential element of the Company to optimize its production process.

The Directors, including the independent non-executive Directors, are of the view that the terms of the New Machinery Leasing Agreement are fair and reasonable, and that relevant transactions will be conducted on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## 6. THE NEW QINGLING GROUP EQUIPMENT LEASE

Date	: 26 November 2019
Parties	: (i) Qingling Group; and (ii) the Company
Nature of the transaction	: The Company will lease the Leased Equipment (Qingling Group) from Qingling Group, namely the 110kVA electrical substation and its ancillary facilities owned by Qingling Group.
Term	: 1 January 2020 to 31 December 2022
Consideration and payment method	: The rent for the Leased Equipment (Qingling Group) is RMB874,608.10 per annum (exclusive of VAT). The Company shall pay the rents for each quarter within one month after the end of that quarter.

The above rents shall be adjusted accordingly if there is material variation in the value of the Leased Equipment (Qingling Group).

During the term of lease, electricity charges incurred by the Company for using the Leased Equipment (Qingling Group) will be borne by the Company. As the account for the payment of electricity charges is opened under the name of Qingling Group, the monthly payment of electricity charges for the electricity consumed by the Leased Equipment (Qingling Group) is advanced by Qingling Group, which will be settled by the Company. The Company shall pay the electricity bill for last month before the last day of each month. Based on the manufacturing capacity of the Company, it is expected that the total amount of electricity charges per annum will not exceed:

- a. For year 2020: RMB33,630,000 per annum (exclusive of VAT);
- b. For year 2021: RMB37,170,000 per annum; and (exclusive of VAT); and



- c. For year 2022: RMB42,480,000 per annum (exclusive of VAT)

Exclusive right of use : The Company has exclusive possession of the Leased Equipment (Qingling Group).

Replacement and upgrading of the Leased Equipment : If the Company requires any replacement or technological upgrading of part/all of the Leased Equipment (Qingling Group) based on its operation need, it shall notify Qingling Group in writing of the objects of equipment, methods, budget and other relevant information relating to the replacement or upgrading proposal. The replacement or upgrading of the Leased Equipment (Qingling Group) shall be carried out after the proposal details have been agreed between both parties and the cost incurred shall be borne by Qingling Group.

Qingling Group is entitled to adjust the rent of the Leased Equipment (Qingling Group) based on the actual expenditure on the replacement or technological upgrading work. The rate and mechanism of such adjustment shall be agreed between the parties.

### Historical transaction amounts

The actual amounts paid by the Company in respect of leasing of the Leased Equipment (Qingling Group) under the Qingling Group Equipment Lease and the annual caps for such payment for the relevant periods or years are as follows:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
The Qingling Group Equipment Lease	27,600,000	29,110,000	24,190,000	58,990,000	86,550,000	91,020,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding cap for that year.

## **Basis of consideration**

The rentals of the Leased Equipment (Qingling Group) are determined on normal commercial terms through arm's length negotiations between the parties thereto, and on terms no less favourable to the Company than those provided by Qingling Group to Independent Third Parties.

## **Proposed annual caps**

The Directors propose the annual caps of the amounts to be paid by the Group for the transactions contemplated under the New Qingling Group Equipment Lease for the relevant periods to be as follows:

	<b>Proposed annual caps (in RMB)</b>		
	<b>For the year</b>	<b>For the year</b>	<b>For the year</b>
	<b>ending 31</b>	<b>ending 31</b>	<b>ending 31</b>
	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
The New Qingling Group Equipment Lease	34,510,000	38,050,000	43,360,000

## **Basis of proposed annual caps**

The aforesaid proposed annual caps for the New Qingling Group Equipment Lease are determined with reference to (i) the estimated annual rental payable by the Company under the New Qingling Group Equipment Lease; (ii) the expected advanced payment of electricity charges for the electricity consumed by the Leased Equipment (Qingling Group) by Qingling Group for the Company; and (iii) the market value of the Leased Equipment (Qingling Group).

## **Reasons for entering into the New Qingling Group Equipment Lease**

The New Qingling Group Equipment Lease has been entered into to facilitate the operation of the Group. The voltage of the electricity supplied by the local electric power company cannot be directly used in the production of the Company's products, it is necessary to transform the voltage with the Leased Equipment (Qingling Group) before the electric power is suitable for the Company's use. Therefore it is necessary and also beneficial to the operation of the Group to lease from the Qingling Group the Leased Equipment (Qingling Group). The electrical substation leased pursuant to the New Qingling Group Equipment Lease will become an essential element of the Company to optimize its production process.

The Directors, including independent non-executive Directors, are of the view that the terms of the New Qingling Group Equipment Lease are fair and reasonable, and that relevant transactions will be conducted on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## II. CONTINUING CONNECTED TRANSACTIONS WITH THE QINGLING AUTOPARTS COMPANIES

### 7. THE NEW AUTOPARTS AND MATERIALS AGREEMENT

Date	: 26 November 2019
Parties	: (i) the Company; (ii) CQCC; (iii) CQFC; (iv) CQACL; (v) CQAC; (vi) CQPC; (vii) CQNHK; (viii) QAC; (ix) QM; (x) Qingling Zhuanyong; and (xi) Autoparts Manufacturing
Term	: From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Nature of the Transaction	: The Company will: (i) sell to CQCC the scrap metal, such as scrap steel and mechanical processing iron scrap left over from the Company's manufacturing process, for further smelting and casting and manufacturing of auto parts by CQCC; (ii) supply to CQNHK, Qingling Zhuanyong and Autoparts Manufacturing semi-finished auto parts, including but not limited to axle housing, ring stiffner and car hood, for the further production of auto parts by CQNHK, Qingling Zhuanyong and Autoparts Manufacturing; and

- (iii) supply to all Qingling Autoparts Companies crafting materials including but not limited to gasoline, diesel, cutting fluid, tools and equipment, and machinery spare parts, which will be sourced by the Company from suppliers which are independent and not connected persons to the Company

Price determination

: Detailed terms shall be made on normal commercial terms or better to the Company and on terms no less favourable than those offered by the Company to Independent Third Parties or by the Independent Third Parties to the Company, of which:

- (i) in respect of the supply of scrap metal by the Company to CQCC, the prices shall not be lower than the market price of scrap metal of same type and the price of such scrap metal sold by the Company to Independent Third Parties (if any). The exact price will be determined based on the public trading prices of scrap metal of the same or similar type, specifications and quality in the scrap metal trading market where the Company is located, taking into consideration terms such as transportation, loading and unloading and payment and will be negotiated and confirmed by the Company and CQCC;
- (ii) in respect of the supply of the semi-finished auto parts to CQNHK, Qingling Zhuanyong and Autoparts Manufacturing, the prices will be determined based on costs incurred by the Company plus a profit margin of not exceeding 8%; and
- (iii) in respect of the supply of crafting materials to all Qingling Autoparts Companies, the prices will be equivalent to the cost of sourcing such materials from Independent Third Parties plus a profit margin of not exceeding 8%

## Historical transaction amounts

The following table sets out the approximate historical transaction amounts for the Autoparts and Materials Agreement together with its respective annual caps for the relevant periods or years:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Autoparts and Materials Agreement	61,290,000	65,000,000	46,500,000	120,860,000	196,230,000	232,070,000

None of the aggregate amounts above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the respective caps for the corresponding year or period.

## Basis of consideration

The aforesaid consideration for the New Autoparts and Materials Agreement is set by the Board based on the pricing policies set out above, with reference to either the market price or the costs of the materials supplied.

The consideration receivable by the Company under the New Autoparts and Materials Agreement is determined after arm's length negotiations between the parties thereto. The Directors (including independent non-executive Directors) are of the view that the New Autoparts and Materials Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## Proposed annual caps

The Directors propose the amounts for the transactions contemplated under the New Autoparts and Materials Agreement for the relevant periods to be as follows:

	Proposed annual caps (in RMB)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
New Autoparts and Materials Agreements	100,910,000	119,450,000	152,660,000

## **Basis of proposed annual caps**

The aforesaid proposed annual caps of the New Autoparts and Materials Agreement represents an aggregate of the estimated amount of transactions in such period or years in respect of (i) the supply of scrap metal; (ii) the supply of semi-finished auto parts; and (iii) the supply of raw and crafting materials.

The estimated amount of transactions in respect of the supply of scrap metal by the Company was ascertained with reference to the actual amount of the relevant scrap metal left over from the Company's manufacturing process in 2018 and the amount of scrap metal to be produced for the three years ending 31 December 2020, 2021 and 2022 based on the estimated sales volume of the Company's products. The basis of the projected amount of transactions in respect of the semi-finished auto parts supplied by the Company under the New Autoparts and Materials Agreement was ascertained with reference to the estimated demand for such semi-finished auto parts.

For the supply of raw and crafting materials by the Company, the basis of its estimated amount of transactions was ascertained with reference to the purchase and consumption of raw and crafting materials by the Qingling Autoparts Companies in 2018 and the projected increase in demand for raw and crafting materials, in line with the anticipated growth in business in the three years ending 31 December 2020, 2021 and 2022.

## **Reasons for entering into the New Autoparts and Materials Agreement**

Scrap metal, such as scrap steel and mechanical processing iron scrap, has been left over from the production process of the Company, while companies which have supplied and will continue to supply auto parts to the Company, such as CQCC, has been purchasing scrap metal on market for the manufacturing of such auto parts. In view of a matching of resources, the Company entered into the New Autoparts and Materials Agreement to supply scrap metal to CQCC to enhance quality management and lower the costs of the auto parts which will in turn be supplied by CQCC to the Company.

Similarly, by leveraging on the Company's mature technology knowhow and to maximize the Company's existing processing capacity, the Company will manufacture and supply to CQNHK semi-finished stamping auto parts, which will be further processed into final auto parts and be supplied back to the Company, thereby maintaining the quality while lowering the costs of the auto parts supplied to the Company. The Company will supply to Qingling Zhuanyong semi-finished stamping auto parts for further processing into auto parts for modified cars, so as to enhance the sales of modified cars, and thereby enhancing the market share of the various types of chassis produced by the Group. Autoparts Manufacturing will further manufacture automobile parts and components following the supply of semi-finished products by the Company to it and then provide the same to the Company.

Moreover, as the Company has been sourcing raw and crafting materials for its own consumption during the production process, the Company will also, pursuant to the New Autoparts and Materials Agreement, source appropriate raw and crafting materials for the Qingling Autoparts Companies, taking advantage of bulk-purchasing of such materials. This practice will enable the Company to strengthen the Company's technical support and management of the raw and crafting materials used by the Qingling Autoparts Companies for manufacturing of auto parts supplied to the Company, and to lower the costs of products supplied to the Company.

### **III. CONTINUING CONNECTED TRANSACTIONS WITH QINGLING MOULDS**

#### **8. THE NEW QINGLING MOULDS SUPPLY AGREEMENT**

Date	: 26 November 2019
Parties	: (i) Qingling Moulds; and (ii) the Company
Term	: From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Nature of the Transaction	: (i) Provision of moulds and related products and maintenance and processing services from Qingling Moulds to the Company; (ii) Provision of raw materials and processing services by the Company to Qingling Moulds; and (iii) Provision of consolidated services including but not limited to water, electricity and gas supply services, equipment repair and maintenance services, medical and hygiene services and the Three Warranties by the Company to Qingling Moulds



- Price determination : Detailed terms shall be made on normal commercial terms or, if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms being fair and reasonable to the Company and being no less favourable than terms offered by Qingling Moulds to Independent Third Parties, of which:
- (i) in respect of transactions described in (i) and (ii) above, price of which will be determined based on reasonable costs incurred by the supplier plus a profit margin of not exceeding 8%; and
  - (ii) in respect of transactions described in (iii) above, at prices based on actual costs incurred plus taxes payable

The New Qingling Moulds Supply Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and Qingling Moulds. Pursuant to the New Qingling Moulds Supply Agreement, the Company will enter into definitive agreements with Qingling Moulds from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Qingling Moulds Supply Agreement. Such detailed terms include, but without limitation, scope of the services to be provided, the prices, payment and settlement terms, services liabilities, indemnity liabilities, quantities, qualities, delivery and inspection of products (where applicable) and other terms and conditions in relation to the provision of the automobile parts, components, accessories and/or consolidated services.

The Company and Qingling Moulds agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms fair and reasonable to the Company. Qingling Moulds also undertakes that the terms offered to the Company shall be no less favourable than terms offered to Independent Third Parties.

With respect to the supply of consolidated services by the Company to Qingling Moulds, should Qingling Moulds cease to be a connected person of the Company and the consolidated services transactions under the New Qingling Moulds Supply Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the supply of consolidated services to Qingling Moulds by notifying Qingling Moulds in writing.

## Historical transaction amounts

The actual amounts paid and received by the Company pursuant to the Qingling Moulds Supply Agreement and the annual caps for such payment in respect of the corresponding periods or years are as follows:

	Actual amount incurred and received (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
(a) Provision of moulds and related products and maintenance and processing services by Qingling Moulds to the Company	14,220,000	5,340,000	1,080,000	63,180,000	76,050,000	87,750,000
(b) Provision of raw materials and processing services by the Company to Qingling Moulds	12,520,000	14,400,000	2,960,000	15,270,000	17,020,000	18,780,000
(c) Provision of consolidated services by the Company to Qingling Moulds	980,000	1,010,000	790,000	1,750,000	2,880,000	3,520,000

None of the aggregate amounts above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the respective caps for the corresponding year or period.

## Basis of consideration

With respect to the provision of moulds and related products and maintenance and processing services by Qingling Moulds to the Company, and the provision of raw materials and processing services by the Company to Qingling Moulds, as there are no sufficient comparable transactions, the consideration is determined by reference to reasonable costs incurred plus a profit margin of not more than 8%. With respect to the provision of consolidated services by the Company to Qingling Moulds, the consideration is set at prices based on actual costs incurred plus taxes payable.

The consideration payable by the Company under the New Qingling Moulds Supply Agreement is determined after arm's length negotiations between the parties thereto and on terms no less favourable than terms offered by Qingling Moulds to Independent Third Parties. The Directors (including independent non-executive Directors) are of the view that the New Qingling Moulds Supply Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Proposed annual caps**

The Directors propose the aggregate amounts for the transactions contemplated under the New Qingling Moulds Supply Agreement for the relevant periods to be as follows:

	<b>Proposed annual caps</b>		
	<b>Aggregate amount (in RMB)</b>		
	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
(a) Provision of moulds and related products and maintenance and processing services by Qingling Moulds to the Company	92,500,000	98,000,000	101,500,000
(b) Provision of raw materials and processing services by the Company to Qingling Moulds	28,800,000	30,400,000	31,360,000
(c) Provision of consolidated services by the Company to Qingling Moulds	3,990,000	4,210,000	4,350,000

### **Basis of proposed annual caps**

The aforesaid proposed annual caps for the provision of moulds and related products and maintenance and processing services by Qingling Moulds to the Company under the New Qingling Moulds Supply Agreement are set by the Board by reference to the estimated amounts of moulds required by the Company based on the sales and development of new products from 2020 to 2022.

The aforesaid proposed annual caps for the provision of raw materials and processing services by the Company to Qingling Moulds under the New Qingling Moulds Supply Agreement are set by the Board by reference to the estimated amounts of raw materials and processing services required by Qingling Moulds from the Company for its production of estimated number of moulds from 2020 to 2022.

## **Reasons for entering into the New Qingling Moulds Supply Agreement**

The products manufactured by the Company must meet the standards required by Isuzu. The moulds manufactured by Qingling Moulds are of high quality and fulfill the required technology standard, and the price is lower than similar imported products. On the other hand, Qingling Moulds needs raw materials and processing services of the Company to manufacture moulds and related products. Qingling Moulds also requires various supporting services such as repair and maintenance services for the machineries, after-sales services for its products and other auxiliary and utility-related services to carry out its regular operations. The Directors believe that provision of those services as set out in the New Qingling Moulds Supply Agreement by the Company to Qingling Moulds would facilitate the operation of the Group and minimise the costs of the Group in setting up a team to handle the repair and maintenance services, aftersales services and other related services. It would also utilise the Group's resources fully and centralise management of the Group. As such, the parties wish to enter into the New Qingling Moulds Supply Agreement.

### **9. THE NEW QINGLING MOULDS LEASE**

Date	: 26 November 2019
Parties	: (i) The Company; and (ii) Qingling Moulds
Nature of the transaction	: Leasing of the land with an area of 7,420m <sup>2</sup> within the Land, namely the Land (Qingling Moulds), by Qingling Moulds from the Company to use as production and operation premises of Qingling Moulds.
Term	: From 1 January 2020 to 31 December 2022
Consideration and method of payment	: The rent of the Land (Qingling Moulds) is RMB3,587.35 per month (exclusive of VAT).  The rent is settled on an annual basis and Qingling Moulds shall pay the rent for the previous year to the Company in January of each year.
Exclusive possession	: Qingling Moulds has exclusive possession of the Land (Qingling Moulds).

## Historical transaction amounts

The actual amounts paid or payable by Qingling Moulds to the Company in respect of leasing of the Land (Qingling Moulds) under the Qingling Moulds Lease and the annual caps for such payment in the relevant periods or years are as follows:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
Qingling Moulds Lease	40,000	40,000	35,874	50,000	50,000	50,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding annual cap for that year.

## Basis of consideration

The rent for the Land (Qingling Moulds) is determined with reference to the prevailing market rent and the rent paid by Qingling Moulds under the Qingling Moulds Lease, and on normal commercial terms through arm's length negotiations between the parties thereto and on terms no less favourable to the Company than those offered by the Company to Independent Third Parties.

## Proposed annual caps and the basis thereof

The Company expects that the annual rent to be received from Qingling Moulds for lease of the Land (Qingling Moulds) under the New Qingling Moulds Lease will be no more than RMB50,000 for each of the three years ending 31 December 2022. The annual caps for the New Qingling Moulds Lease are determined by reference to the rentals payable by Qingling Moulds to the Company at the time being under the Qingling Moulds Lease.

## Reasons for entering into the New Qingling Moulds Lease

The New Qingling Moulds Lease has been entered into to facilitate the operation of the Group. Since Qingling Moulds, which is owned as to 50.56% by the Company and 49.44% by Isuzu, is set up for manufacturing and sales of moulds, it is necessary and also beneficial to the operation of the Group to allow Qingling Moulds to lease the land for manufacturing and operation. It would also utilise the Group's resources fully and centralise management of the Group.

The Directors, including independent non-executive Directors, are of the view that the terms of the New Qingling Moulds Lease are fair and reasonable, and that relevant transactions will be conducted on normal commercial terms in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## IV. CONTINUING CONNECTED TRANSACTIONS WITH ISUZU

### 10. THE NEW ISUZU SUPPLY AGREEMENT

Date	: 26 November 2019
Parties	: (i) Isuzu; and (ii) the Company
Term	: From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Nature of the Transaction	: Supply of automobile parts of ISUZU N Series, T Series, UC Series, F Series and other series by Isuzu to the Company
Condition precedent	: Conditional upon approval by the Independent Shareholders at the EGM
Price determination	: As there is no sufficient comparable transaction, prices shall be determined based on the actual or reasonable costs (whichever is lower) plus a profit margin of not exceeding 10%
Payment term	: Payment on delivery

The New Isuzu Supply Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and Isuzu. Pursuant to the New Isuzu Supply Agreement, the Company will enter into definitive agreements from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Isuzu Supply Agreement. Such detailed terms include, but without limitation, prices, payment and settlement terms, quantity, standard of quality, testing, product liability, liability for compensation and other terms and conditions in relation to the provision of the automobile parts, components and/or accessories. The Company and Isuzu agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms fair and reasonable to the Company. Isuzu also undertakes that the terms offered to the Company shall be no less favourable than terms offered to Independent Third Parties in the market where the Company locates.

In the event that a competitor (including a potential competitor) of Isuzu holds Shares of the same number as or more than that held by Isuzu or there is a change in control in Qingling Group, Isuzu may terminate the New Isuzu Supply Agreement by giving written notice to the Company.

Should Isuzu cease to be a connected person of the Company and the transactions under the New Isuzu Supply Agreement cease to be a continuing connected transaction of the Company, Isuzu is entitled to terminate the New Isuzu Supply Agreement by notifying the Company in writing.

### Historical transaction amounts

The following table sets out the historical transaction amounts between the Company and Isuzu in respect of the purchase and supply of automobile parts and components and/or accessories under the Isuzu Supply Agreement for the relevant periods or years:

	Actual amount incurred and received (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Isuzu Supply Agreement	544,450,000	387,770,000	237,710,000	1,078,750,000	1,286,950,000	1,573,450,000

None of the aggregate amounts above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the respective caps for the corresponding year or periods.

### Basis of consideration

As there are no sufficient comparable transactions, the consideration in respect of the New Isuzu Supply Agreement is determined by reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 10%, which is determined by reference to the statistics published in the “China Automotive Industry Yearbook” (中國汽車工業年鑒) (2018: the average profit margin for the China's automobile industry was 7.51%). The Company noted that the maximum profit margin of 10% determined by the Company and Isuzu is slightly higher than the average level of the industry. The Company considers that the maximum profit margin of 10% is reasonable as Isuzu has exclusive technology and quality standards designed for parts and components of commercial vehicles. The Company also considers that automobile parts and components produced by Isuzu are exclusive, and the technology and quality of its products are not available in the domestic market of the PRC. In order to ensure that the vehicles produced and sold under the brand name of Isuzu reach the technology and performance standards as required, the Company needs to purchase relevant automobile parts and components from Isuzu. The Company also made reference to the estimated prices of the same automobile parts and components sold by Isuzu in the domestic markets of Japan to compare and determine the purchase price from Isuzu. Although the market conditions in Japan and the PRC are different and a



direct comparison between prices of the two might not be appropriate in usual cases, given that the automobile parts and components from Isuzu are sold to the Company exclusively in the PRC and no substitutes are available in the domestic market of the PRC, the estimated price of the same in Japan, together with certain additional fees (e.g. packaging and transportation fees), can serve as references for assessing the reasonableness of the price charged by Isuzu. On the basis of the above factors, the Company agreed to set the maximum profit margin level to be received by Isuzu for the transactions contemplated under the New Isuzu Supply Agreement at 10% when determining the consideration.

As Isuzu would not provide the Company with information on the profit margin level of its products sold in the domestic market of Japan, the price of automobile parts and components purchased by the Company from Isuzu will be determined on the basis of the actual or reasonable cost (whichever is the lowest) of those automobile parts and components plus a maximum profit margin of 10%. In determining the prices of the relevant parts, the Company will also make reference to (i) the estimated prices of the same automobile parts and components sold in the domestic market of Japan; and (ii) additional fees required, such as packaging and transportation fees, so as to compare and determine the purchase prices of automobile parts and components supplied by Isuzu. As such, the Company believes that the purchase prices of parts to be supplied under the New Isuzu Supply Agreement will not be less favourable than that of similar automobile parts and components supplied by Isuzu to Independent Third Parties in the domestic market of Japan.

The consideration payable by the Company under the New Isuzu Supply Agreement was determined after arm's length negotiations between the parties thereto and on terms no less favourable than terms offered by Isuzu to Independent Third Parties. The Directors (excluding the independent non-executive Directors who will form their view after taking into account recommendations of the Independent Financial Adviser) are of the view that the New Isuzu Supply Agreement is on normal commercial terms, and that their terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Proposed annual caps**

The Directors estimate or project that under the New Isuzu Supply Agreement, the value of transactions between Isuzu and the Company will not exceed the amounts set out below:

	<b>Proposed annual caps</b>		
	<b>Aggregate amount (in RMB)</b>		
	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
New Isuzu Supply Agreement	419,090,000	625,080,000	857,920,000

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Isuzu Supply Agreement and the aforesaid annual caps.

## **Basis of proposed annual caps**

The aforesaid annual caps for the New Isuzu Supply Agreement are set by the Board by reference to (i) the historical sales volume; (ii) the projected sales volume for the duration of the relevant agreements, taking into account, inter alia, the overall business environment and specific growth strategies; (iii) the number of new vehicles of new models or different specifications to be launched and made available for sale by the Company; and (iv) the expected expansion of sales network through distributors in the PRC.

## **Reasons for entering into the New Isuzu Supply Agreement**

For its business, the Company needs to purchase automobile parts and components from Isuzu from time to time, and requires Isuzu to supply skills and technical know-how in order to fulfill product standards and specifications required by Isuzu. Hence, the two parties entered into the New Isuzu Supply Agreement.

## **11. THE NEW COMPANY SUPPLY AGREEMENT**

Date	: 26 November 2019
Parties	: (i) Isuzu; and (ii) the Company
Term	: From 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Nature of the Transaction:	: Supply of vehicles, accessory sets and other automobile parts and components by the Company to Isuzu and/or its wholly-owned subsidiary, including but not limited to transmission parts such as gears, shafts and clutches
Price determination	: As there is no sufficient comparable transaction, prices shall be determined based on the actual or reasonable costs (whichever is lower) plus a profit margin of not exceeding 10%
Payment term	: Payment within 40 days after delivery

The New Company Supply Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and Isuzu. Pursuant to the New Company Supply Agreement, the Company will enter into definitive agreements from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Company Supply

Agreement. Such detailed terms include, but without limitation, prices, payment and settlement terms, quantity, standard of quality, testing, product liability, liability for compensation and other terms and conditions in relation to the provision of the vehicles, automobile parts, components and/or accessories. The Company and Isuzu agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms fair and reasonable to the Company. Isuzu also undertakes that the terms offered to the Company shall be no less favourable than terms offered to Independent Third Parties in the market where Isuzu locates.

In the event that a competitor (including a potential competitor) of Isuzu holds Shares of the same number as or more than that held by Isuzu or there is a change in control in Qingling Group, Isuzu may terminate the New Company Supply Agreement by giving written notice to the Company.

Should Isuzu cease to be a connected person of the Company and the transactions under the New Company Supply Agreement cease to be a continuing connected transaction of the Company, Isuzu is entitled to terminate the New Company Supply Agreement by notifying the Company in writing.

### Historical transaction amounts

The following table sets out the historical transaction amounts between the Company and Isuzu in respect of the purchase and supply of the automobile parts and components and/or accessories under the Company Supply Agreement for the relevant periods or years:

	Actual amount incurred and received (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Company Supply Agreement	2,340,000	2,680,000	2,450,000	2,500,000	2,800,000	3,000,000

None of the aggregate amounts above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the respective caps for the corresponding year or periods.

### Basis of consideration

The prices of the vehicles, accessory sets and other automobile parts and components to be supplied by the Company to Isuzu and/or its wholly-owned subsidiary will be determined by arm's length negotiations between the parties. The Company will

only supply the vehicles, accessory sets and other automobile parts and components as those supplied under the New Company Supply Agreement to (i) Isuzu and/or its wholly-owned subsidiary; and (ii) qingling motors outlets for automobile maintenance and parts replacement purposes. Isuzu is the only party in the Japanese market to which such accessory sets and other automobile parts and components are sold, while qingling motors outlets are the only Independent Third Parties in the PRC to which such products are sold. The prices for exporting accessory sets and other automobile parts and components by the Company to Isuzu are prices offered to overseas manufacturers, while the prices for supplying the same to qingling motors outlets are domestic retail prices. Given that the locations of the market and the sectors of industry (i.e. manufacturers and retailers) for the sale of such products to Isuzu and qingling motors outlets are different, different pricing strategies will be applied by the Company and a direct comparison between the prices of the two would be not be appropriate. As such, there is no sufficient comparable transaction for the accessory sets and other automobile parts and components supplied under the New Company Supply Agreement.

As there is no sufficient comparable transaction, the consideration in respect of the New Company Supply Agreement is determined by reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 10%, which is determined by reference to the statistics published in the “China Automotive Industry Yearbook” (中國汽車工業年鑒) (2018: the average profit margin for the China's automobile industry was 7.51%). As the agreements entered between the Company and Isuzu were negotiated on arm's length basis, when determining the consideration of the New Company Supply Agreement, the Company and Isuzu have also made reference to the maximum profit margin level of 10% for the transactions contemplated under the New Isuzu Supply Agreement.

The consideration payable by Isuzu under the New Company Supply Agreement was determined after arm's length negotiations between the parties thereto and on no less favourable terms offered to the Company than terms offered to Independent Third Parties. The Company exports products to Isuzu under the New Company Supply Agreement and the maximum profit margin level for the exported products being higher than the average profit margin level for China's automobile industry in 2018 as set out in the “China Automotive Industry Yearbook” was agreed on arm's length negotiations between the parties thereto and the terms in each of the relevant contracts (such as the New Isuzu Supply Agreement) were determined on the same basis.

The Directors (including the independent non-executive Directors) are of the view that the New Company Supply Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **Proposed annual caps**

The Directors estimate or project that under the New Company Supply Agreement, the value of transactions between the Company and Isuzu will not exceed the amounts set out below:

	<b>Proposed annual caps</b>		
	<b>Aggregate amount (in RMB)</b>		
	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
New Company Supply Agreement	89,590,000	136,750,000	170,470,000

## **Basis of proposed annual caps**

The aforesaid annual caps for the New Company Supply Agreement are set by the Board by reference to (i) the historical sales volume; (ii) the projected sales volume for the duration of the relevant agreements, taking into account, inter alia, the overall business environment and specific growth strategies; and (iii) the number of new vehicles of new models or different specifications to be launched and made available for sale by Isuzu.

## **Reasons for entering into the New Company Supply Agreement**

As the parts and components and vehicles manufactured by the Group fulfill the international standards as required by Isuzu and the prices of the Group's products are competitive, Isuzu wishes to purchase parts and components and vehicles from the Group. Furthermore, the Company aims to enter the international market, and hence the parties entered into the New Company Supply Agreement.

## **12. THE TRADEMARK LICENSING AGREEMENT**

### **a. THE 600P, 100P and TF/UC AGREEMENT**

Date	: 26 March 2014
Parties	: (i) Isuzu; and (ii) The Company
Term	: 5 years commencing from 26 March 2014 and thereafter renewable automatically each year up to 5 years if neither party requests in writing, 90 days prior to its expiry, to terminate the agreement

Nature of the transaction	: Isuzu grants the Company a non-transferrable right to use the trademarks and emblems of Isuzu, “ISUZU”, for the production and sale of the 600P, 100P and TF/UC series vehicles produced by the Company
Consideration	: License fee for each series of vehicle is as follows: <ul style="list-style-type: none"> <li>(a) JPY2,000 for each 600P series vehicle sold</li> <li>(b) JPY1,500 for each 100P series vehicle sold</li> <li>(c) JPY1,500 for each TF/UC series vehicle sold</li> </ul>
Payment term	: The aggregate license fees during every 6-month period ending 30 September and 31 March within the contract term, after deducting the tax payable by Isuzu to the PRC government, shall be settled by the Company in JPY within 30 days after the end of the respective 6-month period

**b. THE 3XCAB AGREEMENT**

Date	: 23 June 2016
Parties	: (i) Isuzu; and (ii) The Company
Term	: Upon the parties’ signing of the agreement until Isuzu shall cease to manufacture the sample cab as defined under the agreement, or the expiry date of the term as prescribed under the relevant rules or regulations of the PRC, whichever date shall be the earlier
Nature of the transaction	: Provision of technology and technical know-how, staff training and technical assistance in relation to the production of permitted cab as defined under the agreement and the permission to use the trademarks and emblems of Isuzu, “ISUZU”, by Isuzu to the Company for the production and sale of permitted vehicles as defined under the agreement



Consideration : *With respect to the transfer of technology and provision of technical know-how:*

Commission fee, payable by the Company to Isuzu in relation to the sale of each permitted vehicle, which are calculated at 3% of the on-site added value of each vehicle. The on-site added value is determined by reference to the wholesale price of the vehicle less the aggregate of the import price of relevant parts and components and the price of parts and components with standard specifications

*With respect to the use of trademark of Isuzu:*

JPY2,000 for each permitted vehicles sold

Payment term : The aggregate license fees during every 6-month period ending 30 September and 31 March within the contract term, after deducting the tax payable by Isuzu to the PRC government, shall be settled by the Company in JPY within 30 days after the end of the respective 6-month period

### Historical transaction amounts

The following table sets out the historical transaction amounts for the 600P, 100P and TF/UC Agreement together with their respective annual caps for the relevant years:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
The 600P, 100P and TF/UC Agreement	4,880,000	4,130,000	2,820,000	6,020,000	9,910,000	11,950,000
The 3XCAB Agreement	1,330,000	1,570,000	1,230,000	–	–	–

None of the aggregate amounts of the 600P, 100P and TF/UC Agreement above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the aggregate amount of the 600P, 100P and TF/UC Agreement for the year ending 31 December 2019 will not exceed the respective caps for the corresponding year or period.

There were no annual caps set for the 3XCAB Agreement for the two years ended 31 December 2018 and the year ending 31 December 2019, since the 3XCAB Agreement was not subject to the reporting and announcement, the annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



## **Basis of consideration**

The license fee under the Trademark Licensing Agreement is determined after arm's length negotiation between the parties thereto by reference to (i) the license fee which Isuzu charges overseas manufacturers for the use of the trademark and emblem of Isuzu; and (ii) the license fees payable by other manufacturers in the PRC for the use of trademark of other automobile brand names.

## **Proposed annual caps**

The Directors propose the amounts for the transactions contemplated under the Trademark Licensing Agreement for the relevant periods to be as follows:

	<b>Proposed annual caps</b>		
	<b>Aggregate amount (in RMB)</b>		
	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
The 600P, 100P And TF/UC Agreement	6,760,000	7,500,000	9,240,000
The 3XCAB Agreement	2,240,000	2,350,000	2,940,000

## **Basis of proposed annual caps**

The above annual caps for the Trademark Licensing Agreement are set by the Board by reference to (i) the historical sales volume of the relevant series of vehicles; (ii) the projected sales volume of the relevant series of vehicles for the duration of the agreement taking into consideration, among other things, the expected increase in sales volume of vehicles under the brand name of "Isuzu" in the domestic market of the PRC; and (iii) the exchange rate of RMB to JPY at RMB1: JPY15.44.

## **Reasons for entering into the Trademark Licensing Agreement**

"Isuzu" is a world-renowned brand of commercial vehicles. The Company has been introducing Isuzu's products and technologies to manufacture products in compliance with the quality standards required by Isuzu, including but not limited to 600P, 100P and TF/UC series vehicles and those vehicles employing 3XCAB series cabs. The use of Isuzu's trademark on these products could enhance their market recognition. As a result, the Company entered into the Trademark Licensing Agreement to obtain the right to use the trademark and emblem of Isuzu.

The Directors (including independent non-executive Directors) are of the view that the Trademark Licensing Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that its terms are fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

### 13. THE F CHASSIS TECHNOLOGY TRANSFER AGREEMENT

Date	:	20 February 2000
Parties	:	(i) Isuzu; and (ii) The Company
Term	:	Commencing from the date upon obtaining approval from the relevant PRC government department i.e. 21 February 2000 and ending in 2012 and thereafter renewable automatically each year up to 10 years if neither party notifies the other party in writing to terminate the agreement 90 days prior to its expiry
Nature of the transaction	:	Provision of technology and technical knowhow, staff training and technical assistance and the permission to use the trademark and the emblem of Isuzu by Isuzu to the Company for the production and sale of the F Series Chassis and relevant parts and components
Price determination	:	An initial fee (which has already been fully paid by the Company to Isuzu) plus royalties, which is determined by reference to the price of the parts and components of the F Series Chassis manufactured and sold by the Company, staff training fees and technical assistance fees

#### Historical transaction amounts

The actual amounts paid by the Company to Isuzu for the transactions contemplated under the F Chassis Technology Transfer Agreement and the annual caps for such payments in respect of the relevant periods or years are as follows:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
The F Chassis Technology Transfer Agreement	1,970,000	2,300,000	910,000	2,950,000	4,770,000	5,900,000

None of the actual amounts paid exceeded the annual caps for the two years ended 31 December 2018. It is expected that the transaction amounts for the year ending 31 December 2019 will not exceed the respective annual caps for the corresponding year or period.

## Proposed annual caps

The Directors propose the aggregate amounts for the transactions contemplated under the F Chassis Technology Transfer Agreement for the relevant periods to be as follows:

	<b>Proposed annual caps</b>		
	<b>Aggregate amount (in RMB)</b>		
	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>year ending</b> <b>31 December</b> <b>2020</b>	<b>year ending</b> <b>31 December</b> <b>2021</b>	<b>year ending</b> <b>31 December</b> <b>2022</b>
The F Chassis Technology Transfer Agreement	3,230,000	3,390,000	4,270,000

## Basis of proposed annual caps

The aforesaid proposed annual caps for the F Chassis Technology Transfer Agreement is set by the Board by reference to the consideration of the relevant agreements and the anticipated production and sales amounts of the products contemplated under the F Chassis Technology Transfer Agreement.

## 14. THE 700P3X SERIES TECHNOLOGY TRANSFER AGREEMENT

Date	: 23 May 2008
Parties	: (i) Isuzu; and (ii) The Company
Term	: Upon the parties' signing of the agreement until Isuzu shall cease to manufacture sample vehicles as defined under the agreement, or the expiry date of the term as prescribed under the relevant rules or regulations of the PRC, whichever date shall be the earlier
Nature of the transaction	: Provision of technology and technical knowhow, staff training and technical assistance and the permission to use the trademark and the emblem of Isuzu by Isuzu to the Company for the production and sale of 700P3X series vehicles and related parts and components

- Price determination : Product development and production technical support fee (which has already been fully paid by the Company to Isuzu) plus a commission fee calculated at 3% of the on-site added value of each vehicle. The on-site added value is determined by reference to the wholesale price of the vehicle less the aggregate of the import price of relevant parts and components, the price of parts and components with standard specifications and the price of engine assembly and parts
- Payment term : The commission fee payable every six months during the contract term after the 6-month period ending 31 March or 30 September (whichever is earlier) upon the execution of the 700P3X Series Technology Transfer Agreement, shall be settled by the Company in JPY with 30 days after the end of the respective 6-month period

### Historical transaction amounts

The actual amounts incurred pursuant to the 700P3X Series Technology Transfer Agreement and the annual caps for such payment in respect of the corresponding periods or years are as follows:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
The 700P3X Series Technology Transfer Agreement	6,420,000	10,260,000	5,470,000	13,780,000	22,050,000	27,560,000

None of the aggregate amounts for the two years ended 31 December 2018 exceeded their respective annual caps. It is expected that the transaction amounts for the year ending 31 December 2019 will not exceed the respective annual caps for the corresponding year or period.

## **Proposed annual caps**

The Directors propose the aggregate amounts for the transactions contemplated under the 700P3X Series Technology Transfer Agreement for the relevant periods to be as follows:

	<b>Proposed annual caps</b>		
	<b>Aggregate amount (in RMB)</b>		
	<b>For the</b>	<b>For the</b>	<b>For the</b>
	<b>year ending</b> <b>31 December</b> <b>2020</b>	<b>year ending</b> <b>31 December</b> <b>2021</b>	<b>year ending</b> <b>31 December</b> <b>2022</b>
The 700P3X Series Technology Transfer Agreement	14,000,000	14,360,000	17,950,000

## **Basis of proposed annual caps**

The aforesaid proposed annual caps for this agreement are set by the Board by reference to the actual amounts incurred under the agreement from 23 May 2008 onwards and the anticipated production and sales amounts of the products contemplated under the 700P3X Series Technology Transfer Agreement.

## **Reasons for entering into the transactions under the Technology Transfer Agreements**

The Company needs to purchase automobile parts and components from Isuzu and requires the provision of technology and technical know-how by Isuzu for its business from time to time to meet the standards and requirements of Isuzu for such productions, the parties entered into the Technology Transfer Agreements.

The Directors (including independent non-executive Directors) are of the view that the Technology Transfer Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that their terms are fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

## **15. THE TECHNOLOGY LICENCE AGREEMENTS**

Reference is made to the announcements of the Company dated 27 April 2016. The Company had paid initial fees for introducing the technology and technical know-how of CYH, CYZ and EXR/EXZ vehicles under each of the respective Technology Licence Agreements. Upon commencement of the sale of CYH, CYZ and EXR/EXZ vehicles, the Company is required to pay royalties to Isuzu based on the sale of such vehicles and the transactions contemplated under the respective Technology Licence Agreements will become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The royalties, payable by the Company to Isuzu in relation to the sale of each CYH, CYZ and EXR/EXZ vehicles are calculated at 3% of the on-site added value of each vehicle. The on-site added value is determined by reference to the wholesale price of the vehicle less the aggregate of the import price of relevant parts and components,

the price of parts and components with standard specifications and the price of licensed engines. The Company has gradually applied the product technology of Isuzu to the CYH, CYZ and EXR/EXZ vehicles and the sale of the relevant vehicles has commenced. Therefore, the maximum aggregate amounts of royalties will be set in respect of each of the Technology Licence Agreements in accordance with Rule 14A.53 of the Listing Rules.

### Historical transaction amounts

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
The CYH Technology Licence Agreement	570,000	580,000	780,000	720,000	1,620,000	1,770,000
The CYZ Technology Licence Agreement	570,000	580,000	780,000	720,000	1,620,000	1,770,000
The EXR/EXZ Technology Licence Agreement	1,140,000	2,730,000	1,570,000	3,360,000	7,560,000	11,750,000

### Proposed annual caps

The Directors propose the aggregate amounts of royalties for the transactions contemplating under each of the Technology Licence Agreements for the relevant periods to be as follows:

	Proposed annual caps Aggregate amount (in RMB)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
The CYH Technology Licence Agreement	4,760,000	8,330,000	11,900,000
The CYZ Technology Licence Agreement	4,760,000	8,330,000	11,900,000
The EXR/EXZ Technology Licence Agreement	14,280,000	24,990,000	35,700,000

### Basis of proposed annual caps

The aforesaid proposed annual caps for each of the Technology Licence Agreements are set by the Board by reference to the past actual transaction amounts of the relevant agreements and the production and sales amounts of the products contemplated under each of the Technology Licence Agreements.

## V. CONTINUING CONNECTED TRANSACTIONS WITH QIEC

### 16. THE NEW SUPPLY AGREEMENT

Date	: 26 November 2019
Parties	: (i) The Company; and (ii) QIEC
Condition precedent	: Conditional upon approval by the Independent Shareholders at the EGM
Effective date	: After due execution by the parties and from the date upon obtaining all relevant approvals and/or completing all other procedures in accordance with all applicable laws, rules and regulations or 1 January 2020 (whichever is later)
Term	: 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Nature of the transaction	: The Company will provide parts of engines and raw materials required for the manufacture of engines to QIEC, and QIEC will provide engines and their parts to the Company
Price determination	: As there is no sufficient comparable transaction, the selling price of the products to be supplied/purchased shall be the actual costs of the supplying party plus a premium of not exceeding 10%. Such premium shall be finalised by both parties on the basis that it is fair and reasonable to both parties
Payment term	: Payment of goods for the last month shall be made to the supplier by the end of each month

Pursuant to the New Supply Agreement, the parties shall enter into further specific agreement(s) with detailed terms in accordance with the underlying principles under the New Supply Agreement, specifying the order-making procedure, method of delivery, price, payment and settlement terms, quantity, standard of quality, inspection of products, product liability, liability for compensation and other terms and conditions in relation to the supply and purchase of specific types of products.



Should QIEC cease to be a connected person of the Company and the transactions under the New Supply Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the New Supply Agreement by notifying QIEC in writing.

Reference is made to the announcement of the Company dated 2 October 2018 and the circular of the Company dated 26 October 2018 in relation to the Merger. Pursuant to the merger agreement entered into between IQAC and QIEC on 2 October 2018, IQAC was absorbed and merged by QIEC on 29 December 2018 and was dissolved and deregistered. After the completion of the Merger, as QIEC was the surviving company which assumed all the assets, liabilities, operations, qualifications, personnel, contracts and all other rights and obligations of IQAC, all the terms of the relevant agreements would remain unchanged (apart from the change in the performing party from IQAC to QIEC where applicable) and the continuing connected transactions contemplated thereunder would continue to be conducted by QIEC. As such, the terms of the Supply Agreement (IQAC) have been incorporated into the New Supply Agreement, where applicable.

### Historical transaction amounts

The following table sets out the aggregate historical transaction amounts between the Company and QIEC and the Company and IQAC (prior to the Merger) respectively, in respect of the purchase and supply of parts of engines and raw materials from the Company to QIEC, and the engines and their parts from QIEC to the Company under the Supply Agreement both prior to and after the Merger; and the purchase and supply of automobiles, parts of engines and raw materials from the Company to IQAC/QIEC, and parts of engines and related products from IQAC/QIEC to the Company under the Supply Agreement (IQAC) both prior to and after the Merger:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the period from 1 January 2018 to 29 December 2018	For the period from 30 December 2018 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
(a) the value of engines and their parts from QIEC to the Company (prior to the Merger)	1,188,110,000	1,200,480,000	–	1,973,970,000	3,264,770,000	–
(b) the value of the parts of engines and related products from IQAC to the Company (prior to the Merger)	0	8,730,000	–	6,710,000	12,070,000	–

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the period from 1 January 2018 to 29 December 2018	For the period from 30 December 2018 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
(c) the value of engines and related parts from QIEC to the Company (after the Merger)	–	–	844,700,000	–	–	4,118,410,000
(d) the value of engine parts and raw materials from the Company to QIEC (prior to the Merger)	628,700,000	728,740,000	–	1,198,430,000	1,961,260,000	–
(e) the value of the automobiles, parts of engines and raw materials from the Company to IQAC (prior to the Merger)	125,400,000	92,470,000	–	143,970,000	326,250,000	–
(f) the value of engines parts, automobiles and raw materials from the Company to QIEC (after the Merger)	–	–	570,810,000	–	–	2,862,410,000

None of the aggregate amounts above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the annual cap for the corresponding period. If the aggregate amount for the year ending 31 December 2019 is likely to exceed the annual cap for the corresponding period, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

### **Basis of consideration**

As there are no sufficient comparable transactions, the consideration is determined by the actual costs of the supplying party plus a premium of not exceeding 10%.

## Proposed annual caps

The proposed annual caps for the New Supply Agreement during the term of such agreement are as follows:

	Proposed annual caps		
	Aggregate amount (in RMB)		
	For the	For the	For the
	year ending 31 December 2020	year ending 31 December 2021	year ending 31 December 2022
<b>The New Supply Agreement</b>			
(a) the value of engines and their parts from QIEC to the Company	1,947,410,000	2,892,380,000	3,637,080,000
(b) the value of engine parts and raw materials from the Company to QIEC	1,489,300,000	2,366,450,000	2,983,550,000
Aggregate	3,436,710,000	5,258,830,000	6,620,630,000

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Supply Agreement and the aforesaid annual caps.

## Basis of proposed annual caps

The said proposed annual caps for the New Supply Agreement are determined with reference to (i) the production capacity of each car model of the Group; (ii) the expected sales volume of the Company from the effective date of the New Supply Agreement to the end of 2022; and (iii) the aggregate supply and demand of QIEC after the Merger.

## Reasons for entering into the New Supply Agreement

To enjoy the economy of scale, the business of the Group requires certain degree of division of labour among its members, with each Group member specialising in a particular area of the business, such as production of engines, marketing, provision of repair and maintenance services, testing services etc. QIEC is principally engaged in the manufacturing and sale of vehicle-used engines and their parts. The Directors believe that provision of engines and their parts from QIEC to the Company and the provision of engine parts and raw materials from the Company to QIEC would facilitate the operation of the Group and minimise the costs of the Group in acquiring similar products from Independent Third Parties.

The consideration payable by the relevant parties under the New Supply Agreement is determined after arm's length negotiations between the parties thereto. The Directors (excluding the independent non-executive Directors who will form their view after taking into account recommendations of the Independent Financial Adviser) are of the view that the New Supply Agreement is on normal commercial terms, and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **17. THE NEW EQUIPMENT LEASE**

Date	: 26 November 2019
Parties	: (i) The Company; and (ii) QIEC
Nature of the transaction	: QIEC will lease the Leased Equipment (QIEC) from the Company, including but not limited to production equipment, production lines, common equipment and facilities, and special testing equipment.
Term	: 1 January 2020 to 31 December 2022
Consideration and method of payment	: The rent of the Leased Equipment (QIEC) is RMB3,517,500 per month (exclusive of VAT). QIEC shall pay the rent for previous month to the Company before the last day of each month.  The above monthly rents shall be adjusted accordingly by both parties if there is material change in the value of the Leased Equipment (QIEC) during the term of the lease.  If the production/sales of engines by QIEC is substantially below the target in the annual operation plans, causing obvious decreases in the operation utilisation rate of the Leased Equipment (QIEC), the rent for the Leased Equipment (QIEC) shall be adjusted to the change in operation utilisation rate of the Leased Equipment (QIEC).
Exclusive right of use	: QIEC has exclusive possession of the Leased Equipment (QIEC).

Replacement and upgrading of the Leased Equipment : If QIEC requires any replacement or technological upgrading of part/all of the Leased Equipment (QIEC) based on its operational needs, it shall notify the Company in writing of the type of equipment, methods, budget and other relevant information relating to the replacement or upgrading proposal. The replacement or upgrading of the Leased Equipment (QIEC) shall be carried out after the proposal details have been agreed between both parties and the cost incurred shall be borne by the Company.

The Company is entitled to adjust the rent of the Leased Equipment (QIEC) based on the actual expenditure on the replacement or technical modification. The rate and mechanism of such adjustment shall be agreed between the parties.

### Historical transaction amounts

The actual amounts paid by QIEC to the Company in respect of leasing of Leased Equipment (QIEC) under the Equipment Lease and the annual caps for such payment in the relevant periods or years are as follows:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended	For the year ended	For the period from 1 January 2019 to 31 October 2019	For the year ended	For the year ended	For the year ending
	31 December 2017	31 December 2018	31 October 2019	31 December 2017	31 December 2018	31 December 2019
Equipment Lease	39,120,000	39,280,000	31,540,000	45,770,000	45,700,000	43,910,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding cap for that year.

### Basis of consideration

The rent for the Lease Equipment (QIEC) is determined on normal commercial terms through arm's length negotiations between the parties thereto as well as terms no less favourable to the Company than those offered by the Company to Independent Third Parties, with reference to the market value of Lease Equipment (QIEC).

## Proposed annual caps

The Directors propose the annual caps of the amounts to be received by the Company in respect of the transactions contemplated under the New Equipment Lease during the relevant periods to be as follows:

	<b>Proposed annual caps (in RMB)</b>		
	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
New Equipment Lease	42,210,000	42,210,000	42,210,000

## Basis of proposed annual caps

The above proposed annual caps of the New Equipment Lease are determined based on the expected rents receivable by the Company under the New Equipment Lease with reference to the market value of the Leased Equipment (QIEC).

## Reasons for entering into the New Equipment Lease

The New Equipment Lease has been entered into to facilitate the operation of the Group. QIEC, which is owned as to 19.33% by the Company, 30.06% by Qingling Group and 50.61% by Isuzu, is set up for the purpose of engine production. Therefore it is necessary and also beneficial to the operation of the Group to let QIEC use the Leased Equipment for the production and testing of the Group's products. It would also utilise the Group's resources fully and centralise management of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Equipment Lease are fair and reasonable, and that relevant transactions will continue to be conducted on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## 18. THE NEW FACTORY LEASE

Date	:	26 November 2019
Parties	:	(i) The Company; and (ii) QIEC
Nature of the transaction	:	Lease of the following lot and property in the Land by QIEC from the Company: (i) The Leased Land with an area of approximately 94,831m <sup>2</sup> ; and

- (ii) The Factory Premises with a floor area of approximately 57,291.16m<sup>2</sup> erected on the aforesaid land lot

QIEC shall use the Leased Land and the Factory Premises for its manufacturing operations only.

Term	: 1 January 2020 to 31 December 2022
Consideration and method of payment	: The aggregate rents of the Lease Land and the Factory Premises are RMB350,793.75 per month (exclusive of VAT) and RMB4,209,525 per annum (exclusive of VAT). QIEC shall pay the rents for each month to the Company before the last day of the following month.
Exclusive right of use	: QIEC has exclusive possession of the Leased Land and the Factory Premises.
Basic facilities	: The Company shall continue to provide the basic service facilities for the operation of QIEC, including but not limited to electricity, water, communication services, sewage treatment and industrial solid waste disposal services etc.
Improvement and upgrade of basic facilities	: If QIEC requires to upgrade or technically modify part or all of the basic facilities in accordance with its operational requirements, QIEC shall notify the Company in writing of the type of the equipment proposed to be updated or modified, and the method, budget and other relevant information of such upgrade or modification. Such upgrade or modification shall not be carried out until the parties have agreed on the details of the proposal, and the costs involved shall be borne by the Company.

The Company has the right to adjust the rent according to the actual expenses of the upgrade or technical modification. The scope and mechanism of adjustment shall be negotiated by both parties.



## Historical transaction amounts

The actual amounts paid by QIEC to the Company in respect of leasing of the Leased Land and the Factory Premises under the Factory Lease and the annual caps for such payment in the relevant periods or years are as follows:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Factory Lease	4,230,000	4,260,000	3,560,000	4,700,000	4,700,000	4,700,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding cap for that year.

## Basis of consideration

The rents for the Lease Land and the Factory Premises are determined on normal commercial terms through arm's length negotiations between the parties thereto as well as terms no less favourable to the Company than those offered by the Company to Independent Third Parties.

## Proposed annual caps and the basis thereof

It is expected that the annual rents to be received by the Company for each of the three years ending December 31, 2022 for lease of the Leased Land and the Factory Premises to QIEC under the New Factory Lease will not exceed RMB4,210,000. The proposed annual caps were determined based on the rents actually received by the Company under the New Factory Lease for 2017 to 2019 after taking into account of the rents expected to be received.

## Reasons for entering into the New Factory Lease

The New Factory Lease has been entered into to facilitate the operation of the Group. Since QIEC, which is owned as to 19.33% by the Company, 30.06% by Qingling Group and 50.61% by Isuzu, is set up for engines production, it is necessary and also beneficial to the operation of the Group to let QIEC use the land and factory premises for the production and testing of the Group's products. It would also utilise the Group's resources fully and centralize management of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Factory Lease are fair and reasonable, and that relevant transactions will continue to be conducted on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## 19. THE NEW CONSOLIDATED SERVICES AGREEMENT

Date	:	26 November 2019
Parties	:	(i) The Company; and (ii) QIEC
Nature of the transaction	:	The Company will provide the following services to QIEC: <ul style="list-style-type: none"> <li>a. water, electricity and gas supply services;</li> <li>b. transportation services;</li> <li>c. equipment repair and maintenance services;</li> <li>d. medical and hygiene services; and</li> <li>e. the Three Warranties and etc.</li> </ul>
Term	:	1 January 2020 to 31 December 2022
Consideration and method of payment	:	The price for the services to be provided by the Company under the New Consolidated Services Agreement or any further separate service agreement(s) shall be the actual costs of the Company plus taxes payable, and its method of payment shall be determined through negotiation between the parties thereto on the basis of individual service.

### Historical transaction amounts

The actual amounts paid by QIEC in respect of the services provided by the Company under the Consolidated Services Agreement (*Note*) and the annual caps for payment for such services in the relevant periods or years are as follows:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
Consolidated Services Agreement ( <i>Note</i> )	1,180,000	1,210,000	1,640,000	2,370,000	3,900,000	6,770,000

*Note:*

- (1) The actual amount and the annual cap for 2017 and 2018 set out above excluded the actual amount incurred and the revised annual cap under the Consolidated Services Agreement (IQAC). As of 31 December 2017 and 2018, (i) the actual amounts incurred were RMB1,150,000 and RMB1,120,000 and (ii) the revised annual caps were RMB1,500,000 and RMB1,800,000 respectively under the Consolidated Services Agreement (IQAC).
- (2) Since 29 December 2018 upon the completion of the Merger, IQAC has been absorbed and merged by QIEC. Therefore, the aforesaid actual amount and annual cap for 2019 include the actual amount incurred and revised annual cap under the Consolidated Services Agreement (IQAC).

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding cap for that year.

### **Basis of consideration**

The consideration under the New Consolidated Services Agreement is determined on normal commercial terms through arm's length negotiations between the parties thereto, and on terms no less favourable to the Company than those offered by the Company to Independent Third Parties.

### **Proposed annual caps and the basis thereof**

The Company expects that the annual value to be received for the three years ending 31 December 2022 from QIEC for the services provided by the Company under the New Consolidated Services Agreement will be approximately RMB3,690,000, RMB5,490,000 and RMB6,910,000, respectively. The proposed annual caps of the New Consolidated Services Agreement were determined based on the amounts expected to be received by the Company under the New Consolidated Services Agreement with reference to the amounts actually received in 2017 to 2019.

### **Reasons for entering into the New Consolidated Services Agreement**

QIEC requires various supporting services such as repair and maintenance services for the machineries, after-sales services for its products and other auxiliary and utility-related services to carry out its regular operations. The Directors believe that provision of those services as set out in the New Consolidated Services Agreement by the Company to QIEC would facilitate the operation of the Group and minimize the costs of the Group in setting up crews to handle the repair and maintenance services, aftersales services and other related services. It would also utilise the Group's resources fully and centralise management of the Group.

The Directors (including independent non-executive Directors) are of the view that the terms of the New Consolidated Services Agreement are fair and reasonable, and the relevant transactions will be conducted on normal commercial terms in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## **VI. CONTINUING CONNECTED TRANSACTIONS WITH SALES JV COMPANY**

### **20. THE NEW SALES JV SUPPLY AGREEMENT**

Date	: 26 November 2019
Parties	: (i) The Company; and (ii) the Sales JV Company
Condition precedent	: Conditional upon approval by the Independent Shareholders at the EGM
Effective date	: After due execution by the parties and from the date upon obtaining all relevant approvals and/or completing all other procedures in accordance with all applicable laws, rules and regulations or 1 January 2020 (whichever is later)
Term	: 1 January 2020 to 31 December 2022, and renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Shareholders in accordance with the requirements of the Listing Rules (if necessary)
Nature of the transaction	: The Company will provide automobiles and their parts to the Sales JV Company
Price determination	: The selling prices of the automobiles or their parts to be supplied/purchased and other related terms in any further specific agreement shall not be lower than the market prices of the automobiles or their parts and shall not be lower than the prices offered to Independent Third Parties. If there are no comparable market prices, prices shall be based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%

Pursuant to the New Sales JV Supply Agreement, the parties shall enter into further specific agreement(s) with detailed terms in accordance with the underlying principles under the New Sales JV Supply Agreement, specifying the order-making procedure, method of delivery, price, payment and settlement terms, quantity, standard of quality, delivery and inspection, product liability, liability for compensation and other terms and conditions in relation to the supply and purchase of specific types of products.

Should the Sales JV Company cease to be a connected person of the Company and the transactions under the New Sales JV Supply Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the New Sales JV Supply Agreement by notifying the Sales JV Company in writing.

## Historical transaction amounts

The actual amounts paid by the Sales JV Company in respect of the purchase of the automobile and their parts from the Company under the Sales JV Supply Agreement and the annual caps for such payment in the relevant periods or years are as follows:

	Actual amount incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Sales JV Supply Agreement	57,160,000	36,130,000	13,540,000	440,180,000	918,370,000	1,168,140,000

None of the aggregate amounts above exceeded their respective annual caps for the two years ended 31 December 2018. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the annual cap for the corresponding period. If the aggregate amount for the year ending 31 December 2019 is likely to exceed the annual cap for the corresponding period, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

## Basis of consideration

Consideration is determined with reference to the market prices of the automobiles or their parts to be provided. If there are no comparable market prices, the consideration shall be determined based on the actual or reasonable costs incurred (whichever is lower) plus a profit margin of not more than 8%.

## Proposed annual caps

The proposed annual caps for the New Sales JV Supply Agreement during the term of such agreement are as follows:

	Proposed annual caps Aggregate amount (in RMB)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
The New Sales JV Supply Agreement	170,030,000	254,510,000	320,990,000

The Company will seek approval from Independent Shareholders in respect of the transactions under the New Sales JV Supply Agreement and the aforesaid annual caps.

## **Basis of proposed annual caps**

The said proposed caps for the New Sales JV Supply Agreement are determined with reference to (i) the sales capacity of the Group; (ii) the expected sales volume of the Company from the effective date of the New Sales JV Supply Agreement to the end of 2022; and (iii) the price of automobile, parts and transportation in the market and their price trends.

## **Reasons for entering into the New Sales JV Supply Agreement**

To enjoy the economy of scale, the business of the Group requires certain degree of division of labour among its members, with each Group member specialising in a particular area of the business, such as production of engines, marketing or provision of repair and maintenance services, testing services etc. The Sales JV Company is principally engaged in the sales of vehicles, assembly and the parts of maintenance and provision of after-sales services. By entering into the New Sales JV Supply Agreement between the Company and the Sales JV Company, the Group may benefit from good sales strategies, management skills and services trading ideas adopted by the Sales JV Company and to expand the market share of its products.

The consideration payable by the Sales JV Company under the Sales JV Supply Agreement is determined after arm's length negotiations between the parties thereto. The Directors (excluding the independent non-executive Directors who will form their view after taking into account recommendations of the Independent Financial Adviser) are of the view that the New Sales JV Supply Agreement is on normal commercial terms, and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **21. THE NEW SALES JV LEASE**

Date : 26 November 2019

Parties : (i) The Company; and  
(ii) the Sales JV Company

Nature of the transaction : The Sales JV Company will lease from the Company the following land lot and property located at A5-1-2, Erlang Science and Technology New City, Jiulongpo District, Chongqing City, the PRC:

- (i) The Sales JV Leased Land with an area of approximately 12,947.7m<sup>2</sup>; and
- (ii) The Sales JV Premises with a floor area of 9,406m<sup>2</sup>

The Sales JV Company can use the Sales JV Leased Land and the Sales JV Premises only for its operations

Term	:	1 January 2020 to 31 December 2022
Consideration and method of payment	:	The rent for Sales JV Leased Land and Sales JV Premises is RMB129,545.45 per month (exclusive of VAT). The Sales JV Company shall pay the rent for previous month to the Company before the last day of each month.
Exclusive possession	:	The Sales JV Company has exclusive possession of the Sales JV Leased Land and the Sales JV Premises.
Basic facilities	:	The Company shall continue to provide the basic services necessary for the operation of the Sales JV Company, including, inter alia, electricity, water and communications services. The costs for using the above basic facilities shall be borne by the Sales JV Company.
Upgrade of basic facilities	:	If the Sales JV Company requires that part/all of the infrastructure be upgraded in accordance with its operational needs, the Sales JV Company shall notify the Company in writing of the type of the facility proposed to be upgraded, and the method, budget and other relevant information of such upgrade. Such upgrade shall not be carried out until the parties have agreed on the details of the proposal, and the costs involved shall be borne by the Company.

### Historical transaction amounts

The actual amounts paid by the Sales JV Company to the Company in respect of leasing of the Sales JV Leased Land and the Sales JV Premises under the Sales JV Lease and the annual caps for such payment in the relevant periods or years are as follows:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Sales JV Lease	1,540,000	1,550,000	1,300,000	1,710,000	1,710,000	1,710,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding cap for that year.



## **Basis of consideration**

The rent for the Sales JV Leased Land and the Sales JV Premises is determined on normal commercial terms through arm's length negotiations between the parties thereto as well as terms no less favourable to the Company than those offered by the Company to Independent Third Parties.

## **Proposed annual caps and the basis thereof**

The Company expects that the annual rent to be received from the Sales JV Company for lease of the Sales JV Leased Land and the Sales JV Premises for each of the three years ending 31 December 2022 under the New Sales JV Lease will be no more than RMB1,560,000. The proposed annual caps of the New Sales JV Lease were determined based on the rents actually received by the Company in 2017 to 2019 in accordance with the Sales JV Lease.

## **Reasons for entering into the New Sales JV Lease**

The New Sales JV Lease has been entered into to facilitate the operation of the Group. Since the Sales JV Company, which is owned as to 50% by each of the Company and Isuzu, is set up for sales of automobile and provision of after-sales services, it is necessary and also beneficial to the operation of the Group to let the Sales JV Company have premises for the sales and marketing of the Group's products. It would also utilise the Group's resources fully and centralise management of the Group.

The Directors, including independent non-executive Directors, are of the view that the terms of the New Sales JV Lease are fair and reasonable, and that relevant transactions will be conducted on normal commercial terms in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

# **VII. CONTINUING CONNECTED TRANSACTIONS WITH ISUZU QINGLING ENGINEERING**

## **22. THE NEW CONSOLIDATED SERVICES AGREEMENT (ISUZU QINGLING ENGINEERING)**

Date : 26 November 2019

Parties : (i) The Company; and  
(ii) Isuzu Qingling Engineering

Nature of the transaction : The Company shall provide the following services to Isuzu Qingling Engineering:

- a. water, electricity and gas supply services;
- b. car rental services;

- c. telecommunication services;
- d. network cable leasing services; and
- e. other supporting services.

Term : From 1 January 2020 to 31 December 2022

Consideration and method of payment : The price for the services to be provided by the Company under the New Consolidated Services Agreement (Isuzu Qingling Engineering) or any further separate service agreement(s) shall be the actual costs incurred by the Company plus tax payable, and its method of payment shall be determined through negotiation between the parties thereto on the basis of individual service.

### Historical transaction amounts

The actual amounts paid by Isuzu Qingling Engineering to the Company in respect of receiving the same service (Qingling Moulds) under the New Consolidated Services Agreement (Isuzu Qingling Engineering) and the annual caps for such payment in the relevant periods or years are as follows:

	Actual Amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
Consolidated Services Agreement (Isuzu Qingling Engineering)	1,040,000	1,100,000	710,000	1,500,000	1,800,000	2,000,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding cap for that year.

### Basis of consideration

The consideration under the New Consolidated Services Agreement (Isuzu Qingling Engineering) is determined on normal commercial terms through arm's length negotiations between the parties thereto, and on terms no less favourable to the Company than those offered by the Company to Independent Third Parties.

## **Proposed annual caps and the basis thereof**

The Company expects that the annual value to be received from Isuzu Qingling Engineering for provision of services for each of the three years ending 31 December 2022 under the New Consolidated Services Agreement (Isuzu Qingling Engineering) will be no more than RMB1,330,000, RMB1,610,000 and RMB1,800,000, respectively. The proposed annual caps of the New Consolidated Services Agreement (Isuzu Qingling Engineering) were determined with reference to the amounts actually received and the amounts expected to be received by the Company in accordance with the agreement.

## **Reasons for entering into the New Consolidated Services Agreement (Isuzu Qingling Engineering)**

Isuzu Qingling Engineering, which is owned as to 25% and 75% by the Company and Isuzu, needs various supporting services for its routine business activities, including car rental services, telecommunication service as well as other auxiliary and utility services. The Directors believe that the services set out in the New Consolidated Services Agreement (Isuzu Qingling Engineering) to be provided by the Company to Isuzu Qingling Engineering will facilitate the business operations of the Group and reduce the staff costs of the Group for handling such services. It would also utilise the Group's resources fully and centralise management of the Group.

The Directors, including independent non-executive Directors, are of the view that the terms of the New Consolidated Services Agreement (Isuzu Qingling Engineering) are fair and reasonable, and that relevant transactions will be conducted on normal commercial terms in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

## **VIII. CONTINUING CONNECTED TRANSACTIONS WITH QIEC AND ISUZU QINGLING ENGINEERING**

### **23. THE NEW TESTING AGREEMENT**

Date : 26 November 2019

Parties : (i) The Company;  
(ii) QIEC; and  
(iii) Isuzu Qingling Engineering

Nature of the transaction : The Company will provide testing services (including but not limited to smoking tests, external property tests and combustion analysis tests for full-loading and steady rolling engines; temperature resistance tests for vehicles; and endurance tests and vibration tests for parts) to QIEC and Isuzu Qingling Engineering.

Term	: 1 January 2020 to 31 December 2022
Consideration and method of payment	: Prices for services provided shall not be lower than the market prices. If there are no comparable market prices, prices shall be determined based on the actual or reasonable costs incurred by the Company (whichever is lower) plus a profit margin of not more than 8%.

### Historical transaction amounts

The actual amounts paid by QIEC and Isuzu Qingling Engineering to the Company for receiving the same services under the Testing Agreement and the annual caps for payment for such services in the relevant periods or years are as follows:

	Actual amounts incurred (in RMB)			Annual caps (in RMB)		
	For the year ended 31 December 2017	For the year ended 31 December 2018	For the period from 1 January 2019 to 31 October 2019	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
Testing Agreement	1,290,000	0	0	4,640,000	5,570,000	6,680,000

The actual amounts for the two years ended 31 December 2018 had not exceeded the annual caps for the relevant years. It is expected that the aggregate amount for the year ending 31 December 2019 will not exceed the corresponding cap for that year.

### Basis of consideration

The consideration of New Testing Agreement is determined on general commercial terms through arm's length negotiations between the parties thereto.

### Proposed annual caps

The Directors propose the annual caps of the amounts receivable by the Company for the transactions contemplated under the New Testing Agreement during the relevant periods to be as follows:

	Proposed annual caps Aggregate amount (in RMB)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
New Testing Agreement	4,380,000	5,260,000	6,310,000

## **Basis of proposed annual caps**

The said proposed annual caps for the New Testing Agreement are determined with reference to the demand for product development, testing and inspection of QIEC and Isuzu Qingling Engineering.

## **Reasons for entering into the New Testing Agreement**

To enjoy the economy of scale, the business of the Group requires certain degree of division of labour among its members, with each Group member specialising in a particular area of the business, such as production of engines, marketing or provision of repair and maintenance services, testing services etc. The Directors believe that the provision of the testing services by the Company to QIEC and Isuzu Qingling Engineering under the New Testing Agreement would contribute to accelerating the product development and ensuring the quality, and hence efficiently and effectively provide high-quality products for the Company, facilitate the operation of the Group, utilise the Group's resources fully and share the costs of investments and minimise the costs of the Group in acquiring similar services from Independent Third Parties.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Testing Agreement are fair and reasonable, such transactions will continue to be conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and such transactions are in the interest of the Company and the Shareholders as a whole.

## **X. CONTINUING CONNECTED TRANSACTIONS**

If the annual value of each of the transactions contemplated under the CCT Agreements is likely to exceed the respective proposed cap or the threshold provided under Chapter 14A of the Listing Rules (as the case may be) or there is any material change to the CCT Agreements, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

## **XI. REQUIREMENTS UNDER THE LISTING RULES**

As at the date of this announcement, Qingling Moulds is owned as to 50.56% and 49.44% respectively by the Company and Isuzu. As Qingling Moulds is a non-wholly owned subsidiary of the Company and Isuzu is a substantial shareholder of the Company and is entitled to exercise, or control the exercise of, more than 10% of the voting power at any general meeting of Qingling Moulds, Qingling Moulds, is also a connected person of the Company under Chapter 14A of the Listing Rules. As Qingling Group is a substantial shareholder of the Company holding approximately 50.10% of the entire issued share capital of the Company and CQCC, CQFC, CQACL, CQAC, CQPC, CQNHK, QAC, QM, Qingling Zhuanyong, Keyu Autoparts, CQVPM and Autoparts Manufacturing are owned as to 75%, 75%, 72.43%, 80%, 75.15%, 55.8%, 100%, 100%, 100%, 100%, 75% and 100% respectively by Qingling Group, they are associates of Qingling Group. Therefore, Qingling Group, CQCC, CQFC, CQACL, CQAC, CQPC, CQNHK, QAC, QM, Qingling Zhuanyong, Keyu Autoparts, CQVPM and Autoparts Manufacturing are all connected persons of the

Company under Chapter 14A of the Listing Rules. The entering into of each of the New Chassis Supply Agreement, the New Parts Supply Agreements, the New Qingling Group Moulds Supply Agreement, the New Warehouse Leasing Agreement, the New Machinery Leasing Agreement, the New Qingling Group Equipment Lease, the New Autoparts and Materials Agreement, the New Qingling Moulds Supply Agreement, the New Qingling Moulds Lease, the New Isuzu Supply Agreement and the New Company Supply Agreement therefore constitutes continuing connected transactions of the Company under the Listing Rules. The continuing of the Trademark Licensing Agreement, the Technology Transfer Agreements and the Technology Licence Agreements also constitutes continuing connected transactions of the Company under the Listing Rules.

As at the date of this announcement, Qingling Group is a substantial shareholder of the Company, and Isuzu, as a substantial shareholder of the Company, holds approximately 20.00% of the entire issued share capital of the Company and therefore Qingling Group and Isuzu are connected persons of the Company. The Sales JV Company is owned as to 50% and 50% respectively by the Company and Isuzu, Isuzu Qingling Engineering is owned as to 25% and 75% respectively by the Company and Isuzu and QIEC is owned as to 50.61%, 30.06% and 19.33% respectively by Isuzu, the Qingling Group and the Company. Consequently, each of QIEC, the Sales JV Company and Isuzu Qingling Engineering is a connected person of the Company under the Listing Rules. The entering into of each of (i) the New Supply Agreement, the New Equipment Lease, the New Factory Lease, the New Consolidated Services Agreement with QIEC; (ii) the New Sales JV Supply Agreement, the New Sales JV Lease with the Sales JV Company; (iii) the New Consolidated Services Agreement (Isuzu Qingling Engineering) with Isuzu Qingling Engineering; and (iv) the New Testing Agreement with QIEC and Isuzu Qingling Engineering therefore constitutes continuing connected transactions of the Company under the Listing Rules.

### **Non-exempt Continuing Connected Transactions**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under the following agreements will, on an annual basis, be more than 5%, such continuing connected transactions are subject to reporting and announcement requirements set out in Rules 14A.49 and 14A.35, the annual review requirements set out in Rules 14A.55 and 14A.59 Rules and also the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- (i) the New Parts Supply Agreements as aggregated in accordance with Rules 14A.81 to 14A.83 of the Listing Rules;
- (ii) the New Chassis Supply Agreement;
- (iii) the New Isuzu Supply Agreement;
- (iv) the New Supply Agreement; and
- (v) the New Sales JV Supply Agreement.



## **Continuing Connected Transactions exempt from the Independent Shareholders' approval requirements**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under the following agreements will, on an annual basis, be more than 0.1% but less than 5%, such continuing connected transactions are subject to the reporting and announcement requirements set out in Rules 14A.49 and 14A.35 and annual review requirements set out in Rules 14A.55 to 14A.59 but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- (i) the New Qingling Group Moulds Supply Agreement;
- (ii) the New Warehouse Leasing Agreement;
- (iii) the New Machinery Leasing Agreement;
- (iv) the New Qingling Group Equipment Lease;
- (v) the New Autoparts and Materials Agreement;
- (vi) the New Qingling Moulds Supply Agreement;
- (vii) the Trademark Licensing Agreement;
- (viii) the Technology Transfer Agreements and the Technology Licence Agreements, as aggregated in accordance with Rules 14A.81 to 14A.83 of the Listing Rules;
- (ix) the New Equipment Lease;
- (x) the New Testing Agreement;
- (xi) the New Company Supply Agreement; and
- (xii) the New Consolidated Services Agreement.

## **Continuing Connected Transactions exempt from the report, annual review, announcement and Independent Shareholders' approval requirements**

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual values for the continuing connected transactions under the following agreements will, on an annual basis, be less than 0.1%, such continuing connected transactions are exempt from the reporting and announcement requirements set out in Rules 14A.49 and 14A.35, the annual review requirements set out in Rules 14A.55 to 14A.59 and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- (i) the New Qingling Moulds Lease;
- (ii) the New Factory Lease;
- (iii) the New Sales JV Lease; and
- (iv) the New Consolidated Services Agreement (Isuzu Qingling Engineering).



## **XII. INDEPENDENT SHAREHOLDERS' APPROVAL**

In view of the above, the Company will seek the approval of the Independent Shareholders in relation to the transactions contemplated under the Non-exempt Continuing Connected Transactions. Ordinary resolutions will be proposed at the EGM to approve by way of poll the Non-exempt Continuing Connected Transactions and their respective annual caps.

As at the date of this announcement, Qingling Group is a substantial shareholder of the Company, holding approximately 50.10% of the entire issued share capital of the Company. Qingling Group also holds as to 30.06% of QIEC. In view of the said interest held by Qingling Group in the Company and QIEC, Qingling Group and its associates will be required to abstain from voting on ordinary resolutions to be proposed at the EGM in respect of the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Supply Agreement and their respective annual caps.

As at the date of this announcement, Isuzu is a substantial shareholder of the Company, holding approximately 20.00% of the entire issued share capital of the Company. Isuzu also holds as to 50.61% of QIEC; Isuzu and Isuzu China (being a wholly-owned subsidiary of Isuzu) hold approximately 21.54% of CQCC, 23.20% of CQFC, 20% of CQAC, 23% of CQACL, 19% of CQPC and 5% of CQNHK. In view of the said interest held by Isuzu and Isuzu China in the Company, QIEC and the relevant Qingling Group Companies respectively, Isuzu and its associates will be required to abstain from voting on ordinary resolutions to be proposed at the EGM in respect of the New Isuzu Supply Agreement, the New Parts Supply Agreements, the New Supply Agreement, the New Sales JV Supply Agreement and their respective annual caps.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Non-exempt Continuing Connected Transactions and the respective annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM, taking into account the recommendations of the Independent Financial Adviser.

Crescendo Capital Limited has been appointed by the Company as its independent financial adviser to give recommendations to the Independent Board Committee and the Independent Shareholders as to, among other things, whether terms of the Non-exempt Continuing Connected Transactions and the respective annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote on the resolutions to be proposed at the EGM.

A circular containing, among other things, information relating to the Non-exempt Continuing Connected Transactions and the respective annual caps, a letter of advice from the Independent Financial Adviser, the recommendation of the Independent Board Committee, and a notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules. As additional time is required to prepare and finalise the aforesaid information to be included in the circular, the circular is expected to be despatched by the Company on or before 4 February 2020.

Prior to obtaining of the approval from the Independent Shareholders, the Company will continue to enter into the Non-exempt Continuing Connected Transactions for the period from 1 January 2020 to the date of the EGM. However, the Directors expect that the amount for transactions thereunder will not exceed the de minimis threshold under the applicable percentage ratios, and will therefore be exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules. The Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

### **XIII. GENERAL**

The Company is principally engaged in the production and sales of Isuzu trucks, multi-purposes vehicles, pick-up trucks, other vehicles and automobile parts and accessories.

Isuzu is principally engaged in the production and sale of commercial vehicles and diesel engines.

Qingling Group is principally engaged in the manufacturing, sales and development of new products in relation to motor vehicles and their spare parts and accessories, and the provision of technical advisory services.

CQCC is principally engaged in the manufacturing and sales of automobile parts and components and cast parts.

CQFC is principally engaged in the manufacturing and sales of automobile parts and components and forging parts.

CQAC is principally engaged in the manufacturing and sales of motor vehicle axles and other parts and components.

CQNHK is principally engaged in the manufacturing and sales of motor vehicle seats, interior accessories and other seats.

CQPC is principally engaged in the manufacturing and sales of plastic automobile parts and other plastic parts and components.

CQACL is principally engaged in the manufacturing and sales of aluminum automobile parts and other aluminum parts and components.

QAC is principally engaged in the development, design, manufacturing, sales and providing technical services of automobile parts and components.

QM is principally engaged in the development, design, manufacturing, sales and providing services of automobile parts and components.

Qingling Moulds is principally engaged in the manufacturing and sales of moulds.

Qingling Zhuanyong is principally engaged in the development, design and manufacturing of various types of special vehicles, sales and providing services of automobile parts and components and providing technical services for special vehicles.

QIEC is principally engaged in the manufacturing and sale of vehicle-used engines and their parts.

The Sales JV Company is principally engaged in the sales of vehicles, assembly and the parts of maintenance and provision of after-sales service.

Isuzu Qingling Engineering is principally engaged in design and development of new model heavy-duty vehicles and their mechanical parts.

Autoparts Manufacturing is principally engaged in the manufacturing and sales of automobile parts and components.

Keyu Autoparts is principally engaged in the manufacturing and sales of automobile parts and components, installation of retractors and lease of relevant machineries or sites.

CQVPM is principally engaged in the development, design, manufacturing, sales and providing services of vehicles, mechanical parts and components and exported parts and components.

Mr. LUO Yuguang, the chairman of the Board, also being a director of the board of directors of Qingling Group is considered to have a material interest in the transactions under the Non-exempt CCT Agreements of which Qingling Group is involved. Mr. LUO Yuguang has abstained from voting on the resolutions in relation to the relevant Non-exempt Continuing Connected Transactions involving Qingling Group as proposed to the Board. Save as disclosed, none of the Directors has a material interest in the transactions under the Non-exempt CCT Agreements and therefore none of them are required to abstain from voting on the relevant board resolutions approving the same.

#### **XIV. DEFINITIONS**

“3XCAB Agreement”	the agreement dated 23 June 2016 entered into between Isuzu and the Company relating to the provision of technology and technical know-how, staff training and technical assistance and the permission to use certain trademarks and emblems of Isuzu, details of which are set out in the section headed “THE 3XCAB AGREEMENT”
“600P, 100P and TF/UC Agreement”	the agreement dated 26 March 2014 entered into between Isuzu and the Company relating to the granting of a non-transferrable right by Isuzu to the Company to use certain trademarks and emblems of Isuzu in the sale of certain vehicles, details of which are set out in the section headed “THE 600P, 100P AND TF/UC AGREEMENT”
“700P3X Series Technology Transfer Agreement”	the agreement dated 23 May 2008 entered into between Isuzu and the Company relating to the provision of technology and technical know-how in relation to the 700P3X Series vehicle by Isuzu to the Company, details of which are set out in the section headed “THE 700P3X SERIES TECHNOLOGY TRANSFER AGREEMENT”
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Autoparts and Materials Agreement”	the agreement dated 22 December 2016 entered into between the Company and the Qingling Autoparts Companies excluding Autoparts Manufacturing relating to the provision of scrap metal, semi-finished auto parts and raw and crafting materials by the Company to the Qingling Autoparts Companies commencing from 1 January 2017 and expiring on 31 December 2019

“Autoparts Manufacturing”	重慶慶鈴汽車配件製造有限公司 (Chongqing Qingling Autoparts Manufacturing Co., Ltd.*), a domestic company incorporated in the PRC with limited liability wholly owned by Qingling Group
“Board”	the board of Directors
“CCT Agreements”	the New Chassis Supply Agreement, the New Parts Supply Agreements, the New Qingling Group Moulds Supply Agreement, the New Warehouse Leasing Agreement, the New Machinery Leasing Agreement, the New Qingling Group Equipment Lease, the New Autoparts and Materials Agreement, the New Qingling Moulds Supply Agreement, the New Qingling Moulds Lease, the New Isuzu Supply Agreement, the New Company Supply Agreement, the Trademark Licensing Agreement, the Technology Transfer Agreements, the Technology Licence Agreements, the New Supply Agreement, the New Equipment Lease, the New Factory Lease, the New Consolidated Services Agreement, the New Consolidated Services Agreement (Isuzu Qingling Engineering), the New Sales JV Lease, and the New Testing Agreement
“Chassis Supply Agreement”	the agreement entered into between the Company and Qingling Group on 22 December 2016 relating to the supply of automobile chassis and related components by the Company to Qingling Group commencing on 1 January 2017 and expiring on 31 December 2019
“Company”	慶鈴汽車股份有限公司 Qingling Motors Co. Ltd, a sino-foreign joint venture joint stock company incorporated in the PRC with limited liability
“Company Supply Agreement”	the agreement dated 22 December 2016 entered into between Isuzu and the Company relating to the provision of automobile parts and components by the Company to Isuzu for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Services Agreement”	the agreement dated 22 December 2016 entered into between the Company and QIEC relating to the provision of certain services by the Company to QIEC commencing from 1 January 2017 and expiring on 31 December 2019

“Consolidated Services Agreement (Isuzu Qingling Engineering)”	the agreement dated 22 December 2016 entered into between the Company and Isuzu Qingling Engineering relating to the provision of certain services by the Company to Isuzu Qingling Engineering commencing from 1 January 2017 and expiring on 31 December 2019
“Consolidated Services Agreement (IQAC )”	the agreement dated 22 December 2016 entered into between the Company and IQAC relating to the provision of certain services by the Company to IQAC commencing from 1 January 2017 and expiring on 31 December 2019
“CQAC”	重慶慶鈴車橋有限公司(Chongqing Qingling Axle Co. Ltd.*), a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 80%, 10%, and 10% by Qingling Group, Isuzu and Isuzu China respectively
“CQAC Agreement”	the agreement dated 22 December 2016 entered into between CQAC and the Company relating to the supply of certain automobile parts by CQAC to the Company commencing on 1 January 2017 and expiring on 31 December 2019
“CQACL”	重慶慶鈴鑄鋁有限公司(Chongqing Qingling Aluminium Casting Co. Ltd.*), a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 72.43%, 13%, 10% and 4.57% by Qingling Group, Isuzu, Isuzu China and an Independent Third Party respectively
“CQACL Agreement”	the agreement dated 22 December 2016 entered into between CQACL and the Company relating to the supply of certain automobile parts by CQACL to the Company commencing on 1 January 2017 and expiring on 31 December 2019
“CQCC”	重慶慶鈴鑄造有限公司(Chongqing Qingling Casting Company Limited*), a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 75%, 21.54% and 3.46% by Qingling Group, Isuzu and an Independent Third Party respectively



“CQCC Agreement”	the agreement dated 22 December 2016 entered into between CQCC and the Company relating to the supply of certain automobile parts by CQCC to the Company commencing on 1 January 2017 and expiring on 31 December 2019
“CQFC”	重慶慶鈴鍛造有限公司(Chongqing Qingling Forging Co. Ltd.*), a sino-foreign joint venture company incorporated in the PRC with limited liability and owned as to 75%, 9.18%, 14.03% and 1.8% by Qingling Group, Isuzu, Isuzu China and an Independent Third Party respectively
“CQFC Agreement”	the agreement dated 22 December 2016 entered into between CQFC and the Company relating to the supply of certain automobile parts by CQFC to the Company commencing on 1 January 2017 and expiring on 31 December 2019
“CQNHK”	重慶慶鈴日發座椅有限公司(Chongqing Qingling NHK Seat Co. Ltd.*), a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 55.80%, 3%, 2%, 30% and 9.2% by Qingling Group, Isuzu, Isuzu China and two Independent Third Parties respectively
“CQNHK Agreement”	the agreement dated 22 December 2016 entered into between CQNHK and the Company relating to the supply of certain automobile parts by CQNHK to the Company commencing on 1 January 2017 and expiring on 31 December 2019
“CQPC”	重慶慶鈴塑料有限公司(Chongqing Qingling Plastic Co. Ltd.*), a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 75.15%, 9%, 10% and 5.85% by Qingling Group, Isuzu, Isuzu China and an Independent Third Party respectively
“CQPC Agreement”	the agreement dated 22 December 2016 entered into between CQPC and the Company relating to the supply of certain automobile parts by CQPC to the Company commencing on 1 January 2017 and expiring on 31 December 2019
“CQVPM”	重慶慶鈴車輛部品製造有限公司(Chongqing Qingling Vehicle Parts Manufacturing Co., Ltd.*), a domestic company incorporated in the PRC with limited liability wholly owned by CQCC

“CYH Technology Licence Agreement”	the agreement dated 27 April 2016 entered into between Isuzu and the Company relating to the transfer of technology and provision of technical know-how in relation to the CYH vehicles by Isuzu to the Company, details of which are set out in the announcement of the Company dated 27 April 2016
“CYZ Technology Licence Agreement”	the agreement dated 27 April 2016 entered into between Isuzu and the Company relating to the transfer of technology and provision of technical know-how in relation to the CYZ vehicles by Isuzu to the Company, details of which are set out in the announcement of the Company dated 27 April 2016
“Directors”	the director(s) of the Company
“Domestic Share(s)”	domestic shares of nominal value of RMB1.00 each in the ordinary share capital of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider, among other things, the ordinary resolutions to be proposed to approve the Non-exempt Continuing Connected Transactions
“Engineering Factory Premises”	a part of a building erected on the Land
“Equipment Lease”	the agreement dated 22 December 2016 entered into between the Company and QIEC relating to the leasing of the Leased Equipment (QIEC) by the Company to QIEC commencing from 21 January 2017 and expiring on 31 December 2019
“Existing Continuing Connected Transactions”	transactions under the Chassis Supply Agreement, the Parts Supply Agreements, the Qingling Group Moulds Supply Agreement, the Warehouse Leasing Agreement, the Machinery Leasing Agreement, the Qingling Group Equipment Lease, the Autoparts and Materials Agreement, the Qingling Moulds Supply Agreement, the Qingling Moulds Lease, the Isuzu Supply Agreement, the Company Supply Agreement, the Supply Agreement, the Equipment Lease, the Factory Lease, the Consolidated Services Agreement, the Sales JV Supply Agreement, the Sales JV Lease, the Supply Agreement (IQAC), the Consolidated Services Agreement (Isuzu Qingling Engineering), the Testing Agreement
“Existing Isuzu Technology Transactions”	the continuing connected transactions under the Technology Transfer Agreements



“Existing Technology Licence Transactions”	the continuing connected transactions under the Technology Licence Agreements
“Existing Trademark Licensing Transactions”	the continuing connected transactions under the Trademark Licensing Agreement
“EXR/EXZ Technology Licence Agreement”	the agreement dated 27 April 2016 entered into between Isuzu and the Company relating to the transfer of technology and provision of technical know-how in relation to the EXR/EXZ vehicles by Isuzu to the Company, details of which are set out in the announcement of the Company dated 27 April 2016
“F Chassis Technology Transfer Agreement”	the agreement dated 20 February 2000 entered into between Isuzu and the Company relating to the provision of technology and technical know-how in relation to the components of F Series Chassis by Isuzu to the Company, details of which are set out in the section headed “THE F CHASSIS TECHNOLOGY TRANSFER AGREEMENT”
“Factory Lease”	the agreement dated 22 December 2016 entered into between the Company and QIEC relating to the leasing of the Leased Land and the Factory Premises by the Company to QIEC commencing from 21 January 2017 and expiring on 31 December 2019
“Factory Premises”	the buildings and structures on the Leased Land with an area of approximately 57,291m <sup>2</sup>
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Mr. LIU Erh Fei) established for the purpose of reviewing the Non-exempt Continuing Connected Transactions

“Independent Financial Adviser”	Crescendo Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than the connected person(s) who is/are interested in the relevant transactions
“Independent Third Parties”	independent third parties which are not connected with the chief executive, directors and substantial shareholder(s) of the Company or any of its subsidiaries and their respective associates, and each of them an “Independent Third Party”
“IQAC”	五十鈴慶鈴(重慶)汽車零部件有限公司 (Isuzu Qingling (Chongqing) Autoparts Co., Ltd*), a sino-foreign equity joint venture established in the PRC which has been absorbed and merged by QIEC since 29 December 2018 upon the completion of the Merger and was dissolved and deregistered accordingly pursuant to the merger agreement entered into between IQAC and QIEC, details of which are set out in the announcement of the Company dated 2 October 2018 and the circular of the Company dated 26 October 2018
“Isuzu”	Isuzu Motors Limited, a company incorporated in Japan and listed on the Tokyo Stock Exchange and a substantial shareholder of the Company
“Isuzu China”	Isuzu (China) Holding Co., Ltd., a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Isuzu
“Isuzu Qingling Engineering”	五十鈴慶鈴(重慶)汽車技術開發有限公司 (Isuzu Qingling (Chongqing) Engineering Co., Ltd*), a sino-foreign equity joint venture established in the PRC which is owned as to 25% by the Company and 75% by Isuzu
“Isuzu Supply Agreement”	the agreement dated 22 December 2016 entered into between Isuzu and the Company relating to the provision of automobile parts and components by Isuzu to the Company for a period of three years commencing on 1 January 2017 and expiring on 31 December 2019

“Keyu Autoparts”	重慶慶鈴科渝汽車配件有限公司(Chongqing Qingling Keyu Autoparts Co., Ltd.*), a domestic company incorporated in the PRC with limited liability wholly owned by Qingling Group
“Land”	the piece of land known as No. 1, Zhongliang Shan Xiexing Cun, Jiulongpo District, Chongqing City, the PRC
“Land (Qingling Moulds)”	a portion of the Land with an area of 7,420m <sup>2</sup>
“Leased Land”	a portion of the Land with an area of 94,831m <sup>2</sup>
“Leased Equipment (QIEC)”	the production equipment (including the 4J/4K Series engine common equipment), testing equipment and pilot equipment, including design plans, user manuals, maintenance handbooks, maintenance records and other ancillary parts of the Company
“Leased Equipment (Qingling Group)”	the 110kVA electrical substation and its ancillary facilities of Qingling Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machinery Leasing Agreement”	the agreement dated 22 December 2016 entered into between CQFC and the Company relating to the leasing of certain machineries for processing of forging and casting parts by CQFC to the Company commencing on 1 January 2017 and expiring on 31 December 2019
“Merger”	the merger by absorption of IQAC by QIEC since 29 December 2018, where QIEC was the surviving company upon completion of the Merger and assumed all the assets, liabilities, operations, qualifications, personnel, contracts and all other rights and obligations of IQAC and IQAC was dissolved and deregistered, details of which are set out in the announcement of the Company dated 2 October 2018
“New Autoparts and Materials Agreement”	the agreement dated 26 November 2019 entered into between the Company and the Qingling Autoparts Companies relating to the provision of scrap metal, semi-finished auto parts and raw and crafting materials by the Company to the Qingling Autoparts Companies, details of which are set out in the section headed “THE NEW AUTOPARTS AND MATERIALS AGREEMENT”

“New Chassis Supply Agreement”	the agreement dated 26 November 2019 entered into between the Company and Qingling Group (on behalf of itself and its subsidiary — Qingling Zhuanyong) relating to the supply of automobile chassis and related components by the Company to Qingling Group, details of which are set out in the section headed “THE NEW CHASSIS SUPPLY AGREEMENT”
“New Company Supply Agreement”	the agreement dated 26 November 2019 entered into between Isuzu and the Company relating to the provision of automobile parts and components by the Company to Isuzu, details of which are set out in the section headed “THE NEW COMPANY SUPPLY AGREEMENT”
“New Consolidated Services Agreement”	the agreement dated 26 November 2019 entered into between the Company and QIEC relating to the provision of certain services by the Company to QIEC, details of which are set out in the section headed “THE NEW CONSOLIDATED SERVICES AGREEMENT”
“New Consolidated Services Agreement(Isuzu Qingling Engineering)”	the agreement dated 26 November 2019 entered into between the Company and Isuzu Qingling Engineering relating to the supply of certain services by the Company to Isuzu Qingling Engineering, details of which are set out in the section headed “THE NEW CONSOLIDATED SERVICES AGREEMENT(ISUZU QINGLING ENGINEERING)”
“New CQAC Agreement”	the agreement dated 26 November 2019 entered into between CQAC and the Company relating to the supply of certain automobile parts by CQAC to the Company, and for the lease of machineries by the Company to CQAC, details of which are set out in the section headed “THE NEW CQAC AGREEMENT”
“New CQACL Agreement”	the agreement dated 26 November 2019 entered into between CQACL and the Company relating to the supply of certain automobile parts by CQACL to the Company, details of which are set out in the section headed “THE NEW CQACL AGREEMENT”
“New CQCC Agreement”	the agreement dated 26 November 2019 entered into between CQCC (on behalf of itself and its subsidiary — CQVPM) and the Company relating to the supply of certain automobile parts by CQCC to the Company, details of which are set out in the section headed “THE NEW CQCC AGREEMENT”

“New CQFC Agreement”	the agreement dated 26 November 2019 entered into between CQFC and the Company relating to the supply of certain automobile parts by CQFC to the Company, and the provision of consolidated services by the Company to CQFC, details of which are set out in the section headed “THE NEW CQFC AGREEMENT”
“New CQNHK Agreement”	the agreement dated 26 November 2019 entered into between CQNHK and the Company relating to the supply of certain automobile parts by CQNHK to the Company, details of which are set out in the section headed “THE NEW CQNHK AGREEMENT”
“New CQPC Agreement”	the agreement dated 26 November 2019 entered into between CQPC and the Company relating to the supply of certain automobile parts by CQPC to the Company, details of which are set out in the section headed “THE NEW CQPC AGREEMENT”
“New Equipment Lease”	the agreement dated 26 November 2019 entered into between the Company and QIEC relating to the leasing of the Leased Equipment (QIEC) by the Company to QIEC, details of which are set out in the section headed “THE NEW EQUIPMENT LEASE”
“New Factory Lease”	the agreement dated 26 November 2019 entered into between the Company and QIEC relating to the leasing of the Leased Land and the Factory Premises by the Company to QIEC, details of which are set out in the section headed “THE NEW FACTORY LEASE”
“New Isuzu Supply Agreement”	the agreement dated 26 November 2019 entered into between Isuzu and the Company relating to the provision of automobile parts and components by Isuzu to the Company, details of which are set out in the section headed “THE NEW ISUZU SUPPLY AGREEMENT”
“New Machinery Leasing Agreement”	the agreement dated 26 November 2019 entered into between CQFC and the Company relating to the leasing of certain machineries for processing of forging and casting parts by CQFC to the Company, details of which are set out in the section headed “THE NEW MACHINERY LEASING AGREEMENT”
“New Parts Supply Agreements”	the New CQACL Agreement, the New Qingling Group Agreement, the New CQCC Agreement, the New CQFC Agreement, the New CQAC Agreement, the New CQNHK Agreement and the New CQPC Agreement

“New Qingling Group Agreement”	the agreement dated 26 November 2019 entered into between Qingling Group (on behalf of itself and its subsidiaries – QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts) and the Company relating to the supply of certain automobile parts by Qingling Group to the Company, details of which are set out in the section headed “THE NEW QINGLING GROUP AGREEMENT”
“New Qingling Group Moulds Supply Agreement”	the agreement dated 26 November 2019 entered into amongst Qingling Moulds, Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC relating to the provision of moulds and related products and maintenance and processing services by Qingling Moulds to Qingling Group, CQCC, CQFC, CQPC, CQACL, CQNHK, QIEC and CQAC, details of which are set out in the section headed “THE NEW QINGLING GROUP MOULDS SUPPLY AGREEMENT”
“New Qingling Moulds Lease”	the agreement dated 26 November 2019 entered into between the Company and Qingling Moulds relating to the leasing of the Land (Qingling Moulds) by the Company to the Qingling Moulds, details of which are set out in the section headed “THE NEW QINGLING MOULDS LEASE”
“New Qingling Moulds Supply Agreement”	the agreement dated 26 November 2019 entered into between Qingling Moulds and the Company relating to the provision of moulds and related products and maintenance and processing services by Qingling Moulds to the Company and the provision of raw materials, processing services and consolidated services by the Company to Qingling Moulds, details of which are set out in the section headed “THE NEW QINGLING MOULDS SUPPLY AGREEMENT”
“New Qingling Group Equipment Lease”	The lease dated 26 November 2019 entered into between Qingling Group and the Company relating to the leasing of the Leased Equipment (Qingling Group) by the Qingling Group to the Company, details of which are set out in the section headed “THE NEW QINGLING GROUP EQUIPMENT LEASE”



“New Sales JV Lease”	the agreement dated 26 November 2019 entered into between the Company and the Sales JV Company relating to the leasing of the Sales JV Leased Land and the Sales JV Premises by the Company to the Sales JV Company, details of which are set out in the section headed “THE NEW SALES JV LEASE”
“New Sales JV Supply Agreement”	the agreement dated 26 November 2019 entered into between the Company and the Sales JV Company relating to the provision of automobile and their parts by the Company to the Sales JV Company, details of which are set out in the section headed “THE NEW SALES JV SUPPLY AGREEMENT”
“New Supply Agreement”	the agreement dated 26 November 2019 entered into between the Company and QIEC relating to the provision of parts of engines and raw materials by the Company to QIEC, and the provision of engines and their parts by QIEC to the Company, details of which are set out in the section headed “THE NEW SUPPLY AGREEMENT”
“New Testing Agreement”	the agreement dated 26 November 2019 entered into between the Company, QIEC and Isuzu Qingling Engineering and IQAC relating to the provision of certain testing services by the Company to QIEC and Isuzu Qingling Engineering, details of which are set out in the section headed “THE NEW TESTING AGREEMENT”
“New Warehouse Leasing Agreement”	the agreement dated 26 November 2019 entered into between Qingling Group and the Company relating to the leasing of warehouses, and certain parts of the Land and other property by the Company from Qingling Group, details of which are set out in the section headed “THE NEW WAREHOUSE LEASING AGREEMENT”
“Non-exempt CCT Agreements”	the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Sales JV Supply Agreement
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Sales JV Supply Agreement



“Parts Supply Agreements”	the CQACL Agreement, the Qingling Group Agreement, the CQCC Agreement, the CQFC Agreement, the CQAC Agreement, the CQNHK Agreement and the CQPC Agreement
“percentage ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the profits ratio and equity capital ratio
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“QAC”	重慶慶鈴汽車底盤部品有限公司 (Chongqing Qingling Automobile Chassis Parts Co. Ltd.*), a domestic company incorporated in the PRC with limited liability wholly owned by Qingling Group
“QIEC”	慶鈴五十鈴(重慶)發動機有限公司 (Qingling Isuzu (Chongqing) Engine Co., Ltd.*), a sino-foreign equity joint venture established in the PRC which is owned as to 19.33% by the Company, 50.61% by Isuzu and 30.06% by the Qingling Group after the Merger
“Qingling Autoparts Companies”	CQCC, CQFC, CQACL, CQAC, CQPC, CQNHK, QAC, QM, Qingling Zhuanyong and Autoparts Manufacturing
“Qingling Group”	慶鈴汽車(集團)有限公司 (Qingling Motors (Group) Co. Ltd*), a state-owned limited liability company established in the PRC and a controlling shareholder of the Company
“Qingling Group Agreement”	the agreement dated 22 December 2016 entered into between Qingling Group and the Company relating to the supply of certain automobile parts by Qingling Group to the Company
“Qingling Group Companies”	Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL and any of them “Qingling Group Company”
“Qingling Group Equipment Lease”	the agreement dated 22 December 2016 entered into between the Company and Qingling Group relating to the leasing of the Leased Equipment (Qingling Group) by the Qingling Group to the Company from 1 January 2017 to expiring on 31 December 2019

“Qingling Group Moulds Supply Agreement”	the agreement dated 22 December 2016 entered into amongst Qingling Moulds, Qingling Group, CQCC, CQFC, CQPC and CQACL relating to the provision of moulds and related products and maintenance and processing services by Qingling Moulds to Qingling Group, CQCC, CQFC, CQPC and CQACL, for a period of three years commencing from 1 January 2017 and expiring on 31 December 2019
“Qingling Moulds”	重慶慶鈴模具有限公司 (Chongqing Qingling Moulds Co. Ltd.*), a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 50.56% and 49.44% by the Company and Isuzu respectively
“Qingling Moulds Lease”	the agreement dated 22 December 2016 entered into between the Company and Qingling Moulds relating to the leasing of the Land (Qingling Moulds) by the Company to the Qingling Moulds commencing from 1 January 2017 to expiring on 31 December 2019
“Qingling Moulds Supply Agreement”	the agreement dated 22 December 2016 entered into between Qingling Moulds and the Company relating to the provision of moulds and related products and maintenance and processing services by Qingling Moulds to the Company and the provision of raw materials and processing services by the Company to Qingling Moulds commencing on 1 January 2017 and expiring on 31 December 2019
“Qingling Zhuanyong”	重慶慶鈴專用汽車有限公司 (Chongqing Qingling Special Vehicle Co. Ltd.*) (formerly known as 重慶慶鈴汽車上裝製造有限公司, Chongqing Qingling Automobile Manufacture and Assembly Co. Ltd.*), a domestic company incorporated in the PRC with limited liability wholly owned by Qingling Group
“QM”	重慶慶鈴汽車機加部品製造有限公司 (Chongqing Qingling Machinery Parts Co. Ltd.*), a domestic company incorporated in the PRC with limited liability wholly owned by Qingling Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sales JV Company”	慶鈴五十鈴(重慶)汽車銷售服務有限公司 (Qingling Isuzu (Chongqing) Automobile Sales and Service Co., Ltd*), a sino-foreign equity joint venture established in the PRC which is owned as to 50% by the Company and 50% by Isuzu

“Sales JV Lease”	the agreement dated 22 December 2016 (as amended and supplemented by a supplemental agreement dated 5 August 2016) entered into between the Company and the Sales JV Company relating to the leasing of the Sales JV Leased Land and the Sales JV Premises by the Company to the Sales JV Company commencing from 1 January 2017 and expiring on 31 December 2019
“Sales JV Leased Land”	the piece of land known as A5-1-2, Erlang Science and Technology New City, Jiulongpo District, Chongqing City, the PRC
“Sales JV Premises”	the buildings and structures on the Sales JV Leased Land
“Sales JV Supply Agreement”	the agreement dated 22 December 2016 entered into between the Company and Sales JV Company relating to the provision of automobile and their parts by the Company to the Sales JV Company commencing from 1 January 2017 and expiring on 31 December 2019
“Share(s)”	the Domestic Shares and the H Shares of the Company
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed in the Listing Rules
“Supply Agreement”	the agreement dated 22 December 2016 entered into between the Company and QIEC relating to the provision of parts of engines and raw material by the Company to QIEC, and the provision of engines and their parts by QIEC to the Company commencing from 1 January 2017 and expiring on 31 December 2019
“Supply Agreement (IQAC)”	the agreement dated 22 December 2016 entered into between the Company and IQAC relating to the provision of parts of engines by IQAC to the Company, and the provision of automobiles, parts of engines and raw material by the Company to IQAC commencing from 1 January 2017 and expiring on 31 December 2019
“Technology Licence Agreements”	the CYH Technology Licence Agreement, the CYZ Technology Licence Agreement and the EXR/EXZ Technology Licence Agreement

“Technology Transfer Agreements”	the F Chassis Technology Transfer Agreement and the 700P3X Series Technology Transfer Agreement
“Testing Agreement”	the agreement dated 23 December 2016 entered into between the Company, QIEC, Isuzu Qingling Engineering and IQAC relating to the provision of certain testing services by the Company to QIEC, Isuzu Qingling Engineering and IQAC for a period of three years commencing from 1 January 2017 and expiring on 31 December 2019
“Three Warranties”	the provision of warranty services in respect of repair, replacement and refund of the Company’s products
“Trademark Licensing Agreement”	the 600P, 100P and TF/UC Agreement and the 3XCAB Agreement
“Warehouse”	Open-air and indoor warehouses erected on the Land
“Warehouse Leasing Agreement”	the agreement dated 22 December 2016 entered into between Qingling Group and the Company relating to the leasing of the Warehouses, certain parts of the Land and other properties by the Company from Qingling Group commencing on 1 January 2017 and expiring on 31 December 2019

By Order of the Board  
**QINGLING MOTORS CO. LTD**  
**LUO Yuguang**  
*Chairman*

Chongqing, the PRC, 26 November 2019

*As at the date of this announcement, the Board comprises 11 Directors, of which Mr. LUO Yuguang, Mr. HAYASHI Shuichi, Mr. MAEGAKI Keiichiro, Mr. ADACHI Katsumi, Mr. LI Juxing, Mr. XU Song and Mr. LI Xiaodong are executive Directors and Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Mr. LIU Erh Fei are independent non-executive Directors.*

*\* For identification purposes only*