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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)

CONNECTED TRANSACTION

BACKGROUND

The Board hereby announces that on 26 March 2021, the Company entered into the Agreement with Qingling Zhuanyong, pursuant to which the Company agreed to pay RMB89 million to Qingling Zhuanyong regarding the Judgments, and Qingling Zhuanyong also agreed to recover the debts under the Judgments from the Other Debtors in accordance with the Judgments. In the event that Qingling Zhuanyong successfully recovers any amount of such debts from the Other Debtors, subject to the compliance with the relevant provisions of applicable laws, regulations and rules (including but not limited to the Listing Rules), it will, upon receipt of such amount, return the remaining amount after deducting its cost incurred therefrom to the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, given that Qingling Zhuanyong is a wholly-owned subsidiary of Qingling Group, a controlling shareholder of the Company holding approximately 50.1% of the total issued share capital of the Company, Qingling Zhuanyong is a connected person of the Company. The Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceed 0.1% but all of them are less than 5%, the Transaction is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company respectively dated 29 August 2019, 20 December 2019, 3 March 2020, 6 August 2020 and 14 December 2020 (the “**Announcements**”). Unless otherwise defined, terms defined in this announcement shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, on one hand, according to the Judgment on Change of Applicant for Execution and the Unfreezing Judgment, the applicant for execution of the 2015 Litigation has been changed from Company Y to Qingling Zhuanyong and the Frozen Bank Balances have been unfrozen. On the other hand, the Company shall assume the supplementary compensation liability for the debts owed by the Other Debtors in respect of the 2015 Litigation.

The Board hereby announces that on 26 March 2021, the Company entered into the Agreement with Qingling Zhuanyong, pursuant to which the Company agreed to pay RMB89 million to Qingling Zhuanyong regarding the Judgments, and Qingling Zhuanyong also agreed to recover the debts under the Judgments from the Other Debtors in accordance with the Judgments. In the event that Qingling Zhuanyong successfully recovers any amount of such debts from the Other Debtors, subject to the compliance with the relevant provisions of applicable laws, regulations and rules (including but not limited to the Listing Rules), it will, upon receipt of such amount, return the remaining amount after deducting its cost incurred therefrom to the Company.

AGREEMENT

The principal terms of the Agreement are summarised below:

Date : 26 March 2021

Parties : the Company; and

Qingling Zhuanyong

As at the date of this announcement, given that Qingling Zhuanyong is a wholly-owned subsidiary of Qingling Group, a controlling shareholder of the Company holding approximately 50.1% of the total issued share capital of the Company, Qingling Zhuanyong is a connected person of the Company. Accordingly, the Transaction contemplated under the Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to the terms and conditions of the Agreement, the Company and Qingling Zhuanyong agreed that:

- (a) Provided that Qingling Zhuanyong applies to the Shenzhen Court requesting for the withdrawal of execution of the Judgments against the Company, and such application is approved by the Shenzhen Court, the Company shall pay RMB89 million to Qingling Zhuanyong within two months upon signing of the Agreement. Upon receipt of payment of the said RMB89 million from the Company, Qingling Zhuanyong will not make any further claims against the Company for the debts under the Judgments.
- (b) Qingling Zhuanyong shall recover the debts under the Judgments from the Other Debtors, and subject to the compliance with the relevant provisions of applicable laws, regulations and rules (including but not limited to the Listing Rules), transfer any remaining proceeds recovered therefrom to the Company after deducting all expenses incurred by Qingling Zhuanyong in collecting the debts under the Judgments.

As at the date of this announcement, Qingling Zhuanyong has applied to the Shenzhen Court for the termination of the execution of the Judgments against the Company and such application has been approved by Shenzhen Court.

The Company will use its own funds to pay the aforesaid RMB89 million to Qingling Zhuanyong.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As disclosed in the Announcements, pursuant to the Judgments, the Company shall assume the supplementary compensation liability for the debts owed by the Other Debtors in respect of the 2015 Litigation. However, by way of entering into of the Agreement, the Company shall only have to pay RMB89 million to Qingling Zhuanyong regarding the Judgments, and Qingling Zhuanyong will not make any further claims against the Company in respect of the Judgments; whereas Qingling Zhuanyong agreed to recover the debts under the Judgements from the Other Debtors in accordance with the Judgments. In the event that Qingling Zhuanyong successfully recovers any amount of such debts from the Other Debtors, subject to the compliance with the relevant provisions of applicable laws, regulations and rules (including but not limited to the Listing Rules), it will, upon receipt of such amount, transfer the remaining amount after deducting its cost incurred therefrom to the Company. Therefore, the entering into of the Agreement will minimize the actual supplementary compensation liability borne by the Company to realise loss reduction.

The Directors, including independent non-executive Directors, are of the view that the terms of the Agreement are fair and reasonable and the Agreement is on normal commercial terms, is entered into in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, given that Mr. Luo Yuguang, the chairman of the Board, is also a director of Qingling Group, Mr. Luo Yuguang has abstained from voting on the resolutions in relation to the Transaction as proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the Agreement and the transactions contemplated thereunder and therefore none of them are required to abstain from voting on the relevant board resolutions approving the Transaction.

LISTING RULES IMPLICATIONS

As at the date of this announcement, given that Qingling Zhuanyong is a wholly-owned subsidiary of Qingling Group, a controlling shareholder of the Company holding approximately 50.1% of the total issued share capital of the Company, Qingling Zhuanyong is a connected person of the Company. The Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Transaction exceed 0.1% but all of them are less than 5%, the Transaction is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ABOUT QINGLING ZHUANYONG AND QINGLING GROUP

Qingling Zhuanyong is a state-owned limited liability company incorporated in the PRC with limited liability, and is wholly-owned by Qingling Group. 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. Qingling Group is a state-owned limited liability company incorporated in the PRC and the controlling shareholder of the Company. 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.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in the production and sale of Isuzu light, medium and heavy-duty trucks, pick-up trucks, multi-purpose vehicles, chassis and automobile parts, accessories and others.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Agreement”	the agreement dated 26 March 2021 entered into by the Company and Qingling Zhuanyong
“Board”	the board of Directors
“Company”	Qingling Motors Company Limited, a sino-foreign joint venture joint stock limited company incorporated in the PRC whose H shares are listed on the Stock Exchange (Stock code: 1122)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Other Debtors”	the Customer, guarantor A, guarantor B, guarantee company A and guarantee company B

“PRC”	the People’s Republic of China
“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 Zhuanyong”	Chongqing Qingling Special Vehicle Co. Ltd* (重慶慶鈴專用汽車有限公司), a state-owned limited liability company established in the PRC and a wholly-owned subsidiary of Qingling Group
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Judgments”	the Judgment and the Appeal Judgment
“Transaction”	the transaction contemplated under the Agreement

By Order of the Board
Qingling Motors Co. Ltd
LEI Bin
Company Secretary

Chongqing, the PRC, 26 March 2021

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.