

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

### I. CONNECTED TRANSACTIONS

#### Technology Usage Agreement

The Board hereby announces that on 13 March 2024, the Company entered into the Technology Usage Agreement with Isuzu, pursuant to which Isuzu licensed the Company to use the technical information and intellectual property provided by Isuzu to produce, assemble and/or sell the Licensed Vehicles to brand dealers in the PRC.

#### Quality Evaluation Agreement

The Board hereby announces that on 13 March 2024, the Company entered into the Quality Evaluation Agreement with Isuzu, pursuant to which the Company entrusted Isuzu to provide quality evaluation services for RGQ Carrying Vehicles.

### II. CONTINUING CONNECTED TRANSACTION

#### Trademark Licensing Agreement

The Board hereby announces that on 13 March 2024, the Company entered into the Trademark Licensing Agreement with Isuzu, pursuant to which Isuzu licensed and authorised the Company to use its trademarks for the purpose of manufacturing and sales of the Licensed Vehicles in the PRC.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Isuzu is a substantial shareholder of the Company holding approximately 20% of the entire issued share capital of the Company and is therefore a connected person of the Company. Accordingly, the one-off payment of the licence fee and service fee by the Company to Isuzu under each of the Technology Usage Agreement and the Quality Evaluation Agreement constitutes connected transactions of the Company, and the payment of the trademark licensing fee by the Company to Isuzu under the Trademark Licensing Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the connected transaction contemplated under the Technology Usage Agreement (when aggregated with the connected transaction contemplated under the Quality Evaluation Agreement) are more than 0.1% but all of them are less than 5%, such connected transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the annual caps for the continuing connected transaction contemplated under the Trademark Licensing Agreement are, on an annual basis, more than 0.1% but all of them are less than 5%, such continuing connected transaction is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholder's approval requirement under Chapter 14A of the Listing Rules.

## **I. CONNECTED TRANSACTIONS**

The Board hereby announces that on 13 March 2024, the Company entered into the Technology Usage Agreement with Isuzu, pursuant to which Isuzu licensed the Company to use the technical information and intellectual property provided by Isuzu to produce, assemble and/or sell the Licensed Vehicles to brand dealers in the PRC.

### **Technology Usage Agreement**

Principal terms of the Technology Usage Agreement are summarised below:

Date: 13 March 2024

Parties: (i) the Company; and  
(ii) Isuzu

Term:	From 14 November 2018 to 31 December 2031
Nature of the transaction:	Isuzu licensed the Company to use the technical information and intellectual property provided by Isuzu to produce, assemble and/or sell the Licensed Vehicles and/or their parts to brand dealers in the PRC on a non-exclusive basis during the term of the agreement.
Consideration:	For the use of the technical information and intellectual property provided by Isuzu, the Company shall pay a licence fee of JPY1,100,000,000 (equivalent to RMB52,800,000) to Isuzu.
Payment term:	The licence fee shall be payable by the Company to Isuzu in JPY within 30 days after the Company has received the payment request from Isuzu.
Termination	In the event that the Company fails to enter into the Trademark Licensing Agreement with Isuzu before 31 March 2024, or fails to pay to Isuzu the licence fee before 30 April 2024, Isuzu shall be entitled to terminate the Technology Usage Agreement by giving written notice to the Company.

### **Basis of Consideration**

The consideration payable under the Technology Usage Agreement was determined after arm's length negotiation between the parties with reference to the relevant licence fees charged by Isuzu to overseas manufacturers for the use of technical information and intellectual property provided by Isuzu, the progressiveness of technologies related to the production of the Licensed Vehicles and the market prospect of the Licensed Vehicles products.

The Board further announces that on 13 March 2024, the Company entered into the Quality Evaluation Agreement with Isuzu, pursuant to which the Company entrusted Isuzu to provide quality evaluation services for RGQ Carrying Vehicles.

### **Quality Evaluation Agreement**

Principal terms of the Quality Evaluation Agreement are summarised below:

Date:	13 March 2024
Parties:	(i) the Company; and (ii) Isuzu
Term:	From the date of signing of the Quality Evaluation Agreement to the date of completion of the payment of the service fee by the Company under such agreement
Nature of the transaction:	The Company entrusted Isuzu to provide quality evaluation services for RGQ Carrying Vehicles.
Consideration:	For the quality evaluation services provided by Isuzu, the Company shall pay a service fee of JPY300,000,000 (equivalent to RMB14,400,000) to Isuzu.
Payment term:	The service fee shall be payable by the Company to Isuzu in JPY within 30 days after the date on which Isuzu notifies the Company of the results of the quality evaluation.

### **Basis of Consideration**

The consideration payable under the Quality Evaluation Agreement was determined after arm's length negotiation between the parties with reference to the relevant service fees charged by Isuzu to overseas manufacturers for the provision of quality evaluation services.

## II. CONTINUING CONNECTED TRANSACTION

The Board hereby announces that on 13 March 2024, the Company entered into the Trademark Licensing Agreement with Isuzu, pursuant to which Isuzu licensed and authorised the Company to use its trademarks for the purpose of manufacturing and sales of the Licensed Vehicles in the PRC.

### Trademark Licensing Agreement

Principal terms of the Trademark Licensing Agreement are summarised below:

Date:	13 March 2024
Parties:	(i) the Company; and (ii) Isuzu
Term:	From the date of signing of the Trademark Licensing Agreement to 31 December 2031
Nature of the transaction:	Isuzu licensed and authorised the Company to use its trademarks for the purpose of manufacturing and sales of the Licensed Vehicles in the PRC on a non-exclusive basis.
Consideration:	The trademark licensing fee is JPY15,000 (equivalent to RMB720) for each Licensed Vehicle sold.
Payment term:	The trademark licensing fee shall be calculated based on the total number of the Licensed Vehicles sold within each six-month period ending on 30 September and 31 March during the term of the agreement, and shall be, after deducting the taxes that Isuzu should pay to the PRC government, payable by the Company to Isuzu in JPY within 30 days after the expiration of the corresponding six-month period.

## **Basis of Consideration**

The consideration payable under the Trademark Licensing Agreement was determined after arm's length negotiation between the parties with reference to the trademark licensing fees charged by Isuzu to overseas manufacturers and the estimated sales volume of the Licensed Vehicles.

## **Annual Caps**

The Company expects that the sales of the Licensed Vehicles will commence in the second quarter of 2024 and, pursuant to the terms of the Trademark Licensing Agreement, it is expected that the aggregate trademark licensing fee payable by the Company for the three years ending 31 December 2026 will not exceed the following annual caps:

	<b>Annual caps (in RMB)</b>		
	<b>For the period from 1 January 2024 to 31 December 2024</b>	<b>For the period from 1 January 2025 to 31 December 2025</b>	<b>For the period from 1 January 2026 to 31 December 2026</b>
Trademark Licensing Agreement	4,500,000	7,500,000	11,200,000

## **Basis of Annual Caps**

The Company intends to commence sales of the Licensed Vehicles in the second quarter of 2024, where the on-going sales of the Licensed Vehicles will lead to the use of trademarks of Isuzu in the PRC by the Company. Therefore, the Company entered into the Trademark Licensing Agreement with Isuzu to govern the use of Isuzu's trademarks. Prior to the entering into of the Trademark Licensing Agreement, Isuzu had not entered into any agreement to license or authorise the Company to use its trademarks for the Licensed Vehicles, thus no historical transaction amount had been incurred before the entering into of the Trademark Licensing Agreement.

The above annual caps for the transactions under the Trademark Licensing Agreement were determined by the Board with reference to the estimated sales volume of the Licensed Vehicles for the period from 2024 to 2026 after taking into consideration, among other things, the expected increase in sales volume attributable to the use of the brand name of "Isuzu" in the domestic market of the PRC; and the exchange rate of RMB to JPY at RMB1: JPY20.

# **REASONS FOR AND BENEFITS OF ENTERING INTO THE TECHNOLOGY USAGE AGREEMENT, THE QUALITY EVALUATION AGREEMENT AND THE TRADEMARK LICENSING AGREEMENT**

## **Technology Usage Agreement**

The Company has been endeavoured to focus on specialised production of vehicles and continue to expand its vehicle production business. As the Company mainly manufactures various automobiles and parts under the brand name of “Isuzu”, the Company requires the provision of technical information and intellectual property by Isuzu for its business from time to time to meet the standards and requirements of Isuzu for such products. RGQ pick-up trucks are Isuzu’s new generation of pick-up trucks series product. Such product, as a whole new vehicle platform, would enable the Company to introduce, digest and absorb pick-up trucks technology of international advanced standards from Isuzu. Therefore, the Company entered into the Technology Usage Agreement to enhance the performance and price competitiveness of the Company’s pick-up trucks, participate in the market competition of pick-up trucks in the PRC and expand the market scale.

## **Quality Evaluation Agreement**

The Company has been introducing Isuzu’s products and technologies to produce products that meet Isuzu’s quality standards. In this regard, the Company is required to obtain Isuzu’s quality evaluation for the RGQ Carrying Vehicles produced by the Company in advance. Therefore, the Company entered into the Quality Evaluation Agreement to obtain quality evaluation from Isuzu for the RGQ Carrying Vehicles.

## **Trademark Licensing Agreement**

“Isuzu” is a world-renowned brand of commercial vehicles. The Company has been introducing Isuzu’s products and technologies to manufacture and sell products in compliance with the quality standards required by Isuzu, including but not limited to the Licensed Vehicles. The use of Isuzu’s trademarks on these products could enhance the market recognition of the Group’s products. Furthermore, the trademarks under the Trademark Licensing Agreement are critical for the sales of the Licensed Vehicles, without which the Company may have difficulties in promoting and marketing the relevant vehicles under the brand name of “Isuzu”. In order to secure the smooth operations of the Company, it is commercially desirable and essential for the Company to maintain a long-term contractual relationship with Isuzu by securing a longer agreement term for the Trademark Licensing Agreement. Accordingly, the Company entered into the Trademark Licensing Agreement with Isuzu to obtain the right to use the trademarks of Isuzu ongoingly for the purpose of manufacturing and sales of the Licensed Vehicles in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the terms (including but not limited to the licence fee, service fee and the trademark licensing fee payable by the Company to Isuzu) of the Technology Usage Agreement, the Quality Evaluation Agreement and the Trademark Licensing Agreement are fair and reasonable and on normal commercial terms, and that the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE GROUP AND ISUZU**

The Group is principally engaged in the production and sales of Isuzu light, medium and heavy-duty trucks, pick-up trucks, automobile parts and accessories.

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

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Isuzu is a substantial shareholder of the Company holding approximately 20% of the entire issued share capital of the Company and is therefore a connected person of the Company. Accordingly, the one-off payment of the licence fee and service fee by the Company to Isuzu under each of the Technology Usage Agreement and the Quality Evaluation Agreement constitutes connected transactions of the Company, and the payment of the trademark licensing fee by the Company to Isuzu under the Trademark Licensing Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the connected transaction contemplated under the Technology Usage Agreement (when aggregated with the connected transaction contemplated under the Quality Evaluation Agreement) are more than 0.1% but all of them are less than 5%, such connected transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the annual caps for the continuing connected transaction contemplated under the Trademark Licensing Agreement are, on an annual basis, more than 0.1% but all of them are less than 5%, such continuing connected transaction is subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholder's approval requirement under Chapter 14A of the Listing Rules.

If the aggregate annual amount of the continuing connected transaction contemplated under the Trademark Licensing Agreement is likely to exceed the annual caps set out in this announcement pursuant to Chapter 14A of the Listing Rules or should there be any material change to the terms of the Trademark Licensing Agreement, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

## **ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER**

Since the term of the Trademark Licensing Agreement exceeds three years, the Company has appointed the Independent Financial Adviser in accordance with Rule 14A.52 of the Listing Rules to advise the Company on the term of the Trademark Licensing Agreement.

Upon consideration of the following factors, the Independent Financial Adviser was of the view that it was in the interest of the Company to have a term of the Trademark Licensing Agreement in excess of three years and it was a normal industry practice for contracts of such type as the Trademark Licensing Agreement to be of such duration:

- (1) the RGQ series vehicles will be manufactured and are intended to be sold by the Company under the brand name of “Isuzu” in 2024 and thus the trademarks under the Trademark Licensing Agreement are critical in the sales of the Company’s vehicles, without which the Company may have difficulties in promoting and marketing the relevant vehicles under the brand name of “Isuzu”;
- (2) “Isuzu” is a world-renowned brand of commercial vehicles. The use of Isuzu’s trademarks on the Company’s products could enhance their market recognition;
- (3) in order to secure the smooth operations of the Company, it is commercially desirable and essential for the Company to maintain a long-term contractual relationship with Isuzu by securing a longer agreement term for the Trademark Licensing Agreement; and
- (4) it was noted from public information that there were 10 comparable transactions in relation to the trademark licensing arrangement, of which the term of the underlying licensing agreements ranged from 1 year to 10 years. The term of the Trademark Licensing Agreement of approximately 8 years lies within the range of the comparable transactions.

## **GENERAL**

None of the Directors has a material interest in the Technology Usage Agreement, the Quality Evaluation Agreement, the Trademark Licensing Agreement and the respective transactions contemplated thereunder. As at the date of this announcement, Mr. KIJIMA Katsuya, an executive Director, holds 3,349 shares of Isuzu, representing approximately 0.0004% of the total number of issued shares of Isuzu. In addition, Mr. KIJIMA Katsuya, Mr. YASUTA Tatsuya and Mr. NAKAMURA Osamu are executive Directors all nominated by Isuzu, and they have voluntarily abstained from voting on the Board resolutions in relation to the Technology Usage Agreement, the Quality Evaluation Agreement, the Trademark Licensing Agreement and the respective transactions contemplated thereunder.

## **DEFINITIONS**

“Board”	the board of Directors
“Company”	Qingling Motors Co. Ltd, a sino-foreign joint venture joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1122)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Halcyon 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 Company in relation to the term of the Trademark Licensing Agreement
“Isuzu”	Isuzu Motors Limited, a company incorporated in Japan and listed on the Tokyo Stock Exchange and a substantial shareholder of the Company
“JPY”	Japanese yen, the lawful currency of Japan
“Licensed Vehicles”	RGQ series pick-up vehicles
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Quality Evaluation Agreement”	the agreement entered into by the Company and Isuzu dated 13 March 2024 in relation to the Company’s entrustment of Isuzu to provide quality evaluation services for RGQ Carrying Vehicles as particularised in the section headed “Quality Evaluation Agreement”
“RGQ Carrying Vehicles”	RGQ 4KH1 Carrying Vehicles (National VIb)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Technology Usage Agreement”	the agreement entered into by the Company and Isuzu dated 13 March 2024 in relation to Isuzu’s licence for the Company to use the technical information and intellectual property provided by Isuzu to produce, assemble, and/or sell the Licensed Vehicles to brand dealers in the PRC as particularised in the section headed “Technology Usage Agreement”
“Trademark Licensing Agreement”	the agreement entered into by the Company and Isuzu dated 13 March 2024 in relation to Isuzu’s licence and authorisation for the Company to use its trademarks for the purpose of manufacturing and sales of the Licensed Vehicles in the PRC as particularised in the section headed “Trademark Licensing Agreement”
“%”	per cent

*The JPY is converted into RMB at the exchange rate of JPY1.00 = RMB0.048.*

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

Chongqing, the PRC, 13 March 2024

*As at the date of this announcement, the Board comprises 11 Directors, of which Mr. LUO Yuguang, Mr. YASUTA Tatsuya, Mr. NAKAMURA Osamu, Mr. KIJIMA Katsuya, 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.*