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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 company incorporated in the People's republic of China with limited liability)

(Stock Code: 1122)

## CONNECTED TRANSACTIONS IN RELATION TO THE ASSET SWAP AGREEMENT

On 28 August 2013, the Company and Qingling Group entered into the Asset Swap Agreement, pursuant to which the Company will transfer and dispose of its land use right of Land I to Qingling Group and Qingling Group will transfer and dispose of its land use right of Land II to the Company. Upon completion, Land II will be registered under the name of the Company while Land I will be registered under the name of Qingling Group. No additional consideration will be paid by either the Company or Qingling Group, as the respective market values of Land I and Land II are equal (each being RMB9,949,100 as assessed by the Independent Valuer).

In contemplation of the Transactions, on 28 August 2013, the Company entered into a supplemental agreement to the Factory Lease with Engine Company, pursuant to which Land I is excluded from the piece of land leased by the Company to Engine Company under the Factory Lease, and the monthly rental from 1 September 2013 to 31 December 2013 is reduced from RMB350,000 to RMB318,000.

### LISTING RULES IMPLICATIONS

Qingling Group holds approximately 50.1% of the issued share capital of the Company and is therefore a controlling shareholder and a connected person of the Company. The Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Transactions exceed 0.1% but are less than 5%, each of the Transactions is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### THE ASSET SWAP AGREEMENT

Date : 28 August 2013

Parties : The Company; and  
Qingling Group, the controlling shareholder of the Company.

## **Nature of the Transactions**

Pursuant to the Asset Swap Agreement, the Company has agreed to transfer and dispose of its land use right of Land I to Qingling Group and Qingling Group has agreed to transfer and dispose of its land use right of Land II to the Company.

### **Land I to be transferred and disposed by the Company to Qingling Group**

Land I is a portion of the land situated at No.1 Xiexing Cun, Zhongliang Shan, Jiulongbo District, Chongqing, PRC, which is designated for industrial use, with a remaining term of use of 30.84 years. The value of Land I as at 5 July 2013 is RMB9,949,100 (equivalent to approximately HK\$12,605,510) as assessed by the Independent Valuer and the unaudited book value of Land I as at 30 June 2013 was RMB1,526,500. Land I has been held by the Company for over 12 months. The area of Land I is 19,508 m<sup>2</sup> and is currently used partly as green area and partly as roads.

Land I is located within a piece of industrial land of an area of 114,339 m<sup>2</sup>, which (together with the buildings and structures on the land) is leased by the Company to Engine Company pursuant to the Factory Lease as announced by the Company in an announcement dated 23 December 2010. In contemplation of the Transactions, on 28 August 2013, the Company entered into a supplemental agreement to the Factory Lease with Engine Company, pursuant to which Land I is excluded from the piece of land leased by the Company to Engine Company under the Factory Lease and the area of the leased land is reduced from 114,339 m<sup>2</sup> to 94,831 m<sup>2</sup>, and the monthly rental from 1 September 2013 to 31 December 2013 (the expiry day of the Factory Lease) is reduced from RMB350,000 to RMB318,000.

The Transactions involve the exchange of land of same area and no additional consideration is payable or receivable by the Company. It is expected that upon completion of the Transactions, the carrying value of the asset of the Company will not be affected by the Transactions and no gain or loss is expected to accrue to the Company.

### **Land II to be acquired by the Company from Qingling Group**

Land II is situated at Huayanzhen, Zhongliangshan, Jiulongbo District, Chongqing, PRC, which is designated for industrial use, with a remaining term of use of 30.84 years. The value of Land II as at 5 July 2013 is RMB9,949,100 (equivalent to approximately HK\$12,605,510) as assessed by the Independent Valuer and the unaudited book value of Land II as at 30 June 2013 was RMB3,938,200. The area of Land II is 19,508 m<sup>2</sup> and was originally acquired by Qingling Group in 2007 at RMB4,953,700. It is currently used by Qingling Group partly for temporary storage and is partly vacant.

## **Consideration**

No additional cash consideration will be payable by either the Company or Qingling Group as Land I and Land II are of the same value as assessed by the Independent Valuer.

The exchange of land use rights of Land I and Land II respectively at no additional cash consideration was arrived at after arms-length negotiation between the Company and Qingling Group, with reference to the respective values of Land I and Land II as assessed by the Independent Valuer. Although the rental income of the Company receivable under the Factory Lease will be reduced by RMB32,000 per month starting from 1 September 2013 by entering into the supplemental agreement as mentioned in the section headed “Land I to be transferred and disposed of by the Company to Qingling Group” above, the Company may and intend to use Land II for outdoor storage purpose. With reference to the terms of the Company’s existing leases of similar outdoor storage, if the Company had rented a similar outdoor storage premises such as Land II, the rent which would be payable is estimated to be approximately RMB78,000 per month. Therefore, the Directors (including the independent non-executive Directors) consider that the exchange of land use rights under the Asset Swap Agreement at no additional cash consideration is reasonable.

## **Conditions precedent**

Completion of the Asset Swap Agreement is subject to, among other matters, both parties having obtained the necessary approvals, including those of their respective board of directors and the Chongqing State-owned Assets Supervision and Administration Commission for the Transactions.

## **Completion**

Completion of the Asset Swap Agreement will take place on a date to be agreed between the Company and Qingling Group as soon as all the conditions precedent as stated above have been fulfilled. Upon completion of the Asset Swap Agreement, Land II will be registered under the name of the Company while Land I will be registered under the name of Qingling Group.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

As announced by the Company in announcements dated 28 June 2012 and 4 July 2012 respectively, the Company and Isuzu established the JV Company to develop new model of heavy-duty trucks and their parts. It is contemplated that Qingling Group, the Company, Engine Company and other members of Qingling Group will participate a heavy-duty vehicles project (“**HD Project**”). Land I is required for the construction by Qingling Group of part of the plant to be used for the contemplated HD Project and it is currently planned that after the completion of such plant, it will be used to produce parts of the heavy-duty vehicles. By acquiring the land use rights for Land I, the land use right for the entire plant will be owned by Qingling Group to facilitate the timely completion of the HD Project. The Group (through its participation or through the participation of the JV Company in the HD project) will therefore be benefited from the HD Project, which will increase the market competitiveness of the Company by allowing the Company to enter into the competitive market of heavy-duty trucks, on top of the Group’s existing light-duty and medium-duty trucks production. If any transaction in relation to the HD project will constitute a connected

transaction of the Company, the Company will comply with the relevant requirements under the Listing Rules (where applicable).

No Director has a material interest in the Transactions which required him to abstain from voting on the board resolution approving the terms of the Asset Swap Agreement and the Transactions. Mr. WU Yun is the chairman of Qingling Group and Mr. DU Weidong is a director and the general manager of Qingling Group and they had voluntarily abstained from voting on the resolutions in relation to the Asset Swap Agreement and the Transactions. The Directors (including the independent non-executive Directors) believe that the terms of the Asset Swap Agreement are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Qingling Group holds approximately 50.1% of the issued share capital of the Company and is therefore a controlling shareholder and connected person of the Company. The Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (as defined in the Listing Rules) in respect of each of the Transactions exceed 0.1% but are less than 5%, each of the Transactions is only subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL INFORMATION**

The Company is principally engaged in the production and sale of Isuzu light-duty and medium-duty trucks (and a small amount of heavy-duty trucks), multi-purposes vehicles, pickup trucks, automobile parts and accessories.

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

## **DEFINITIONS**

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

“Asset Swap Agreement”	the asset swap agreement dated 28 August 2013 entered into by the Company and Qingling Group in respect of the Transactions
“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
“Director(s)”	the director(s) of the Company

“Engine Company”	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 50% by the Company and 50% by Isuzu
“Factory Lease”	the agreement dated 23 December 2010 entered into between the Company and the Engine Company, pursuant to which the Company leased to Engine Company a piece of land situated at No.1 Xiexing Cun, Zhongliang Shan, Jiulongbo District, Chongqing, PRC together with the buildings and structures on the Land, details of which are set out in the announcement dated 23 December 2010 published by the Company
“Independent Valuer”	An independent valuer jointly appointed by the Company and Qingling Group for the purpose of assessing the respective value of Land I and Land II
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Isuzu”	Isuzu Motors Limited, a company incorporated in Japan and listed on the Tokyo Stock Exchange and a substantial shareholder of the Company
“JV Company”	Isuzu Qingling (Chong Qing) Engineering Co., Ltd (五十鈴慶鈴（重慶）汽車技術開發有限公司), a sino-foreign equity joint venture established in the PRC which is owned as to 25% by the Company and 75% by Isuzu
“Land I”	a plot of land of 19,508 m <sup>2</sup> , situated at No.1 Xiexing village, Zhongliangshan, Jiulongbo District, Chongqing, PRC, the land use right of which is owned by the Company as at the date of this announcement
“Land II”	a plot of land of 19,508 m <sup>2</sup> , situated at Huayanzhen, Zhongliangshan, Jiulongbo District, Chongqing, PRC, the land use right of which is owned by Qingling Group as at the date of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities of the Stock Exchange
“m <sup>2</sup> ”	square meters
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the disposal of the Land use right in respect of Land I by the Company to Qingling Group and the acquisition of Land use right in respect of Land II from Qingling Group by the Company, pursuant to the Asset Swap Agreement

By Order of the Board  
**Qingling Motors Co. Ltd**  
**WU Nianqing**  
*Company Secretary*

Chongqing, the PRC, 28 August 2013

*As at the date of this announcement, the Board comprises 11 Directors, of which Mr. WU Yun, Mr. Naotoshi TSUTSUMI, Mr. GAO Jianmin, Mr. Makoto TANAKA, Mr. Ryozo TSUKIOKA, Mr. DU Weidong and Mr. PAN Yong are executive Directors and Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. XU Bingjin and Mr. LIU Tianni are independent non-executive Directors.*

*For illustration purpose, RMB is converted to HK\$ at a rate of RMB1 = HK\$1.2671 in this announcement. No representation is made that any amount in HK\$ or RMB would have been or can be converted at the above rate.*