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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)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS**

On 26 March 2014, the Company and Isuzu entered into the Trademark Licensing Agreement whereby Isuzu grants the Company a non-transferrable right to use certain trademarks and emblems of Isuzu in the sale of the 600P, 100P and TF/UC series vehicles produced by the Company, for 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.

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 transactions contemplated under the Trademark Licensing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 contemplated under the Trademark Licensing Agreement 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.45 to 14A.47 of the Listing Rules and the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

The Company had entered into various technology transfer agreements with Isuzu in respect of the 600P, 100P and TF/UC series vehicles under which, among other things, Isuzu agreed to transfer and provide the relevant technology and technical know-how to the Company and permit the Company to use the trademark and emblem of Isuzu. The technology transfer agreements expired in 2013.

On 26 March 2014, the Company entered into the Trademark Licensing Agreement with Isuzu in relation to the use of trademarks and emblems of Isuzu in the sale of the 600P, 100P and TF/UC series vehicles produced by the Company, details of which are summarised below:

## **THE TRADEMARK LICENSING 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
- Transaction : Isuzu grants the Company a non-transferrable right to use the trademarks and emblems of Isuzu, “ISUZU” and “五十鈴”, in the 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:
- a. JPY2,000 for each 600P series vehicle sold
  - b. JPY1,500 for each 100P series vehicle sold
  - c. JPY1,500 for each TF/UC series vehicle 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.

Pursuant to the Trademark Licensing Agreement, in the event that Isuzu ceases to be a shareholder of the Company, the Trademark Licensing Agreement will be terminated automatically.

## **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**

It is expected that the aggregate license fees payable by the Company to Isuzu under the Trademark Licensing Agreement for the period from 26 March 2014 to 31 December 2014, the year ending 31 December 2015 and the year ending 31 December 2016 shall not exceed the following annual cap amounts:

	<b>Annual caps (in RMB)</b>		
	<b>For the period from 26 March 2014 to 31 December 2014</b>	<b>For the year ending 31 December 2015</b>	<b>For the year ending 31 December 2016</b>
Trademark Licensing Agreement	8,009,250	10,412,025	13,522,800

## **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: JPY16.9.

## **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. 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, and that its terms are fair and reasonable and in the interest of the Company and the shareholders of the Company as a whole.

## **REQUIREMENTS UNDER 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 transactions contemplated under the Trademark Licensing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 contemplated under the Trademark Licensing Agreement 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.45 to 14A.47 of the Listing Rules and the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules and are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

If the annual value of the transactions contemplated under the Trademark Licensing Agreement is likely to exceed the respective annual 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 Trademark Licensing Agreement, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

## **THE VIEW FROM THE INDEPENDENT FINANCIAL ADVISER**

As the term of the Trademark Licensing Agreement exceeds 3 years, pursuant to Rule 14A.35(1) of the Listing Rules, the Company has engaged the Independent Financial Adviser to advise the Company on the term of the Trademark Licensing Agreement.

The Independent Financial Adviser considered 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 business practice for contracts of the type of the Trademark Licensing Agreement to be of such duration after having considered the following principal factors and reasons:

- (1) The 600P, 100P and TF/UC Series vehicles are manufactured and sold by the Company under the brand name of "Isuzu" and thus the trademark and emblem under the Trademark Licensing Agreement are critical in the sale 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 trademark and emblem 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.

(4) It was noted from public information that more than ten companies, which are principally engaged in the manufacture and sale of automobile and related products and services in the PRC and listed on the Stock Exchange, had executed similar trademark licensing agreements during 2003 to 2013 with term of license for a period vary from one to fifty years. Among them, a majority of the trademark licensing agreements had a term of more than three years.

## **GENERAL**

The Company is principally engaged in the production and sales of Isuzu trucks, multipurpose 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.

None of the Directors has a material interest in the transactions under the Trademark Licensing Agreement therefore none of them is required to abstain from voting on the board resolutions approving the same. Nevertheless, Mr. Naotoshi Tsutsumi, Mr. Makoto Tanaka and Mr. Ryozo Tsukioka had voluntarily abstained from voting on the board resolutions. Each of Mr. Naotoshi Tsutsumi, Mr. Makoto Tanaka and Mr. Ryozo Tsukioka has shareholding interests in Isuzu, and their respective shareholding interest in Isuzu is less than 0.05%. Mr. Ryozo Tsukioka is a director and vice president of Isuzu and Mr. Naotoshi Tsutsumi is a consultant of Isuzu.

## **DEFINITIONS**

“Board”	the board of Directors
“Company”	Qingling Motors Co. Ltd., a Sino-foreign joint venture joint stock company incorporated in the PRC with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Independent Financial Adviser”	Hercules 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
“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
“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”	People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Trademark Licensing Agreement”	the agreement dated 26 March 2014 entered into between Isuzu and the Company as described under the section headed “THE TRADEMARK LICENSING AGREEMENT”

As at the date of this announcement, the Board comprises the following directors:

*Executive Directors:*

Mr. DU Weidong, Mr. Naotoshi TSUTSUMI, Mr. GAO Jianmin, Mr. Makoto TANAKA, Mr. Ryozo TSUKIOKA, Mr. PAN Yong and Mr. ZENG Jianjiang

*Independent non-executive Directors*

Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. XU Bingjin and Mr. LIU Tianni

By Order of the Board  
**QINGLING MOTORS CO. LTD**  
**Du Weidong**  
*Chairman*

Chongqing, the PRC, 26 March 2014