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Xiezhong International Holdings Limited

協眾國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3663)

CONTINUING CONNECTED TRANSACTION MASTER AGREEMENT

As disclosed in the Prospectus, Xiezhong Nanjing and BAIC had on 10 May 2012 entered into the Previous Master Agreement in relation to supply of air-conditioning systems and assembly parts of automobile air-conditioning systems by the Group to the Purchasers. The Previous Master Agreement expired in accordance with its terms on 31 December 2014.

The Stock Exchange has granted the Company a waiver from the strict compliance with the requirements of announcement and independent shareholders' approval under Chapter 14A of the Listing Rules in respect of the continuous connected transactions and proposed annual caps under the Previous Master Agreement. Details of the waiver are set out in the Prospectus.

Xiezhong Nanjing and BAIC had on 12 June 2015 entered into a new Master Agreement to govern the supply of Air-conditioning Systems by the Group to the Purchasers after the expiry of the Previous Master Agreement.

BAIC owns 60% of the registered capital of Beijing Hainachuan which in turn is the holding company of BHAP, the controlling shareholder of the Company. As the controlling shareholder of the Company, BHAP is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. BAIC, as the holding company of BHAP, is an associate of BHAP pursuant to Rule 14A.13(1) of the Listing Rules and hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the Master Agreement will constitute a continuing connected transaction for the Company.

The Directors currently expect that each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Caps under the Master Agreement, on an annual basis, will be more than 5% and the lowest of the Annual Caps is more than HK\$10,000,000, it constitutes non-exempt continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened and held by the Company to consider and, if thought fit, approve the Master Agreement and the transactions contemplated thereunder (including the Annual Caps).

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise and provide recommendation to the Independent Shareholders on the Master Agreement and the transactions contemplated thereunder including the Annual Caps and to advise the Independent Shareholders on how to vote. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Master Agreement and the transactions contemplated thereunder (including the Annual Caps).

A circular containing, among others, (i) details of the Master Agreement and the Annual Caps; (ii) recommendations from the Independent Board Committee in respect of the Master Agreement and the Annual Caps; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement and the Annual Caps; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable within 15 business days after the publication of the announcement.

INTRODUCTION

Reference is made to the Prospectus and the Offer Document. Capitalized terms used herein, unless otherwise stated, shall have the same meanings with those defined in the Prospectus.

As disclosed in the Prospectus, Xiezhong Nanjing and BAIC had on 10 May 2012 entered into the Previous Master Agreement in relation to supply of air-conditioning systems and assembly parts of automobile air-conditioning systems by the Group to the Purchasers. The Previous Master Agreement expired in accordance with its terms on 31 December 2014.

The Stock Exchange has granted the Company a waiver from the strict compliance with the requirements of announcement and independent shareholders' approval under Chapter 14A of the Listing Rules in respect of the continuous connected transactions and proposed annual caps under the Previous Master Agreement. Details of the waiver are set out in the Prospectus.

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PRINCIPAL TERM OF THE MASTER AGREEMENT

- Parties** : Xiezhong Nanjing and BAIC.
- Principal terms** : Xiezhong Nanjing and BAIC had on 12 June 2015 entered into the Master Agreement, pursuant to which the Group agreed to supply Air-conditioning Systems to BAIC and its subsidiaries and/or their respective associates (the “**Purchasers**”).
- Term** : Subject to the obtaining of the Independent Shareholders’ approval, the Master Agreement shall retrospectively take effect from 1 January 2015 and shall expire on 31 December 2017.
- Pricing Policy and payment terms** : Pursuant to the Master Agreement, the prices, payment terms, specifications and detailed terms with respect to the Air-conditioning Systems provided by the Group shall be determined in accordance with the specific orders to be agreed between the Group and the Purchasers on normal commercial terms.
- In determining the actual transaction prices of the relevant Air-conditioning Systems, the Group uses a cost-based approach and makes reference to (i) the choice and purchasing cost of raw materials determined with reference to the market positioning of the models of the automobile which the order of Air-conditioning Systems will be fitted into; and (ii) the level of technical requirements for the production of such Air-conditioning Systems.
- Reasons and benefits of the entering into of the Master Agreement** : The Group is one of the leading suppliers of HVAC systems for vehicles. The supply of Air-conditioning Systems to BAIC group is expected to make positive contribution to the Group’s operating revenue.

Historical Figures

Year ending 31 December	Aggregate amount under Previous Master Agreement <i>RMB (million)</i>
2012	168
2013	199
2014	283

Proposed Annual Caps

Year ending 31 December	Estimated aggregate amount under Master Agreement as the proposed Annual Caps <i>RMB (million)</i>
2015	470
2016	600
2017	730

Basis of caps

The above proposed Annual Caps are determined with reference to the expected sales to the BAIC Group for 2015 to 2017 with an expected annual growth rate of approximately 21.7% to 27.7%. As we plan to make more efforts in strengthening our Group's collaboration with the BAIC Group, we expect that our sales to the BAIC Group for its existing models of automobiles will be approximately RMB332 million, RMB288 million and RMB289 million respectively and that the BAIC Group's demand for our products will also increase substantially following the launch of new models of automobiles that Xiezhong Nanjing has collaborated with the BAIC Group in the research and development of their new air-conditioning systems and collaboration with the BAIC Group in the research and development of new air-conditioning systems which will take place for new models of automobiles of the BAIC Group in 2015 to 2017. Based on the information provided by BAIC, it is preliminarily estimated that the BAIC Group will place order for Air-conditioning Systems for approximately 6, 12 and 12 new models of automobile for each of the three years ending 31 December 2015, 2016 and 2017 respectively, representing a majority portion of the automobile models that the BAIC Group will be marketing in 2015 to 2017. We expect that our sales to the BAIC Group for such new models of automobiles in the three years ending 31 December 2015, 2016 and 2017 will be approximately RMB138 million, RMB312 million and RMB441 million respectively.

The Directors, having reviewed the Master Agreement and taking into consideration (i) the price of the other types of Air-conditioning Systems provided by the Group for other automobiles with similar market positioning marketed by other customers of the Group who are Independent Third Parties with similar technical requirements; and (ii) the substantial quantity of Air-conditioning Systems previously purchased and expected to be ordered by the Purchasers, consider that the transactions under the Master Agreement have been and will be entered into in the ordinary and usual course of business, on normal commercial terms and that the terms of the Master Agreement and the proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPROVAL OF THE BOARD

On 11 June 2015, The Directors (other than the independent non-executive Directors whose views will be formed after taking into account the advice of the Independent Board Committee and the Independent Financial Adviser) are of the view that the terms of the Master Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole. The Directors (other than the independent non-executive Directors whose views will be formed after taking into account the advice of the

Independent Board Committee and the Independent Financial Adviser) also confirm that the Annual Caps set out above are fair and reasonable and in the interests of the Shareholders taken as a whole.

As Mr. Han Yonggui, a non-executive Director of the Company is also a director and the deputy general manager of BAIC, chairman of Beijing Hainachuan and a director of BHAP, has material interest in the Master Agreement and the transactions contemplated thereunder, Mr. Han Yonggui had abstained from voting in the resolutions of the Board to approve the Master Agreement and the Annual Caps.

As Mr. Li Xuejun, a non-executive Director of the Company is also a director and chief executive officer of Beijing Hainachuan and a director of BHAP, has material interest in the Master Agreement and the transactions contemplated thereunder, Mr. Li Xuejun has abstained from voting in the resolutions of the Board to approve the Master Agreement and the Annual Caps.

Mr. Zhu Zhengha, a non-executive Director of the Company is also a director of Beijing Hainachuan, has material interest in the Master Agreement and the transactions contemplated thereunder, Mr. Zhu Zhenghua has abstained from voting in the resolutions of the Board to approve the Master Agreement and the Annual Caps.

Mr. Chen Cunyou, Mr. Ge Hongbing as the executive Directors and Mr. Chen Hao as the non-executive Director were parties acting in concert with any of the Joint Offerors in the Offer, accordingly Mr. Chen Cunyou, Mr. Ge Hongbing and Mr. Chen Hao had abstained from voting in the resolutions of the Board to approve the Master Agreement and the Annual Caps.

Save as disclosed above, none of the Directors has any material interests in the transactions contemplated under the Master Agreement and hence none of the Directors had abstained from voting on the board resolutions approving the transactions contemplated under the Master Agreement and the Annual Caps.

GENERAL INFORMATION

The Group

The Group is principally engaged in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components, and provides technical testing and related services.

Xiezhong Nanjing

Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd. 南京協眾汽車空調集團有限公司, a company established in the PRC, is a non-directly wholly-owned subsidiary of the Company. It is principally engaged in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components, and provides technical testing and related services.

BAIC

北京汽車集團有限公司 (Beijing Automotive Group Co., Ltd.*), a state-owned enterprise established in the PRC, owns 60% of the registered capital of Beijing Hainachuan which in turn is the holding company of BHAP, the controlling shareholder of the Company. It is primarily engaged in conducting business activities in the automotive industry.

LISTING RULES IMPLICATIONS

BAIC owns 60% of the registered capital of Beijing Hainachuan which in turn is the holding company of BHAP, the controlling shareholder of the Company. As the controlling shareholder of the Company, BHAP is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. BAIC, as the holding company of BHAP, is an associate of BHAP pursuant to Rule 14A.13(1) of the Listing Rules and hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The transactions contemplated under the Master Agreement will constitute a continuing connected transaction for the Company.

The Directors currently expect that each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the Annual Caps under the Master Agreement, on an annual basis, will be more than 5% and the lowest of the Annual Caps is more than HK\$10,000,000, it constitutes non-exempt continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened and held by the Company to consider and, if thought fit, approve the Master Agreement and the transactions contemplated thereunder (including the Annual Caps).

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise and provide recommendation to the Independent Shareholders on the Master Agreement and the transactions contemplated thereunder including the Annual Caps and to advise the Independent Shareholders on how to vote. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Master Agreement and the transactions contemplated thereunder (including the Annual Caps).

A circular containing, among others, (i) details of the Master Agreement and the Annual Caps; (ii) recommendations from the Independent Board Committee in respect of the Master Agreement and the Annual Caps; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement and the Annual Caps; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable within 15 business days after the publication of the announcement.

DEFINITIONS

In this announcement, the following expressions have the same meanings set out below unless the context otherwise requires:

“Air-conditioning Systems”	automobile air-conditioning systems, assembly parts of automobile air-conditioning systems and related services
“Annual Caps”	the annual maximum aggregate value for the transactions contemplated under the Master Agreement for the year ending 31 December 2015, 2016 and 2017

“BHAP”	BHAP HK Investment Limited, a company incorporated in Hong Kong on 28 April 2011, an investment holding company wholly-owned by Beijing Hainachuan
“Board”	the board of Director
“Company”	Xiezhong International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (stock code: 3663)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Master Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board (which comprises all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Master Agreement and the transactions contemplated thereunder (including the proposed Annual Caps)
“Independent Financial Adviser”	Goldin Financial Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Master Agreement and the transactions contemplated thereunder (including the proposed Annual Caps)
“Independent Shareholders”	the Shareholders who do not have any material interest in the Master Agreement and the transactions contemplated thereunder
“Independent Third Parties”	Independent third parties who are not connected persons of the Company and are independent of and not connected with connected persons of the Company
“Joint Offerors”	Brilliance International Holding Limited and BHAP
“Listing Rules”	Rules governing the Listing of Securities on the Stock Exchange

“Master Agreement”	the master agreement dated 12 June 2015 entered into amongst Xiezhong Nanjing and BAIC, in relation to supply of Air-conditioning Systems by the Group to the Purchasers.
“Offer”	the unconditional mandatory cash offer to be made by Guotai Junan Securities (Hong Kong) Limited for and on behalf of the Joint Offerors for all the Shares (other than those already owned by the Joint Offerors and parties acting in concert with any of them) in accordance with Rule 26.1 of the Hong Kong Code on Takeovers and Mergers
“Offer Document”	the composite offer and response document relating to the Offer dated 8 July 2014
“Previous Master Agreement”	the master agreement dated 10 May 2012 entered into amongst Xiezhong Nanjing and BAIC, in relation to supply of air-conditioning systems and assembly parts of automobile air-conditioning systems by Xiezhong Nanjing to certain associates of BAIC, including Foton, 北京汽車股份有限公司株洲分公司 (Zhuzhou Branch of Beijing Automobile Co., Ltd.*) and 北京汽車新能源汽車有限公司 (Beijing Automobile New Energy Automobile Company Limited*).
“Prospectus”	the prospectus of the Company dated 6 June 2012
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board
Xiezhong International Holdings Limited
Chen Cunyou
Chairman

Hong Kong, 12 June 2015

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Chen Cunyou, Mr. Ge Hongbing; five non-executive directors, namely Mr. Han Yonggui, Mr. Li Xuejun, Mr. Zhu Zhenghua, Mr. Chen Hao and Mr. Huang Yugang; and four independent non-executive directors, namely Mr. Lau Ying Kit, Mr. Cheung Man Sang, Mr. Zhang Shulin and Mr. Lin Lei.

* *for identification purposes only*