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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)

HISTORICAL CONNECTED TRANSACTIONS OF SALES, PURCHASES AND FEE ARRANGEMENTS

INTRODUCTION

On 28 December 2018, the Group obtained control of the 4S Dealership Companies through the acquisition of the entire equity interests in Sino Evergreen and Jin Cheng HK by the Company from Sunrise International and Jin Cheng, respectively. The 4S Dealership Group became the wholly-owned subsidiaries of the Company and its financial results have been consolidated into the financial statements of the Group after the Acquisition.

HISTORICAL CONNECTED TRANSACTIONS OF SALES, PURCHASES AND FEE ARRANGEMENTS

During February to July 2019, the 4S Dealership Group entered into the Sale Agreements with certain of the Chen's Trading Companies, namely, Tangshan Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi and Xiezhong Ruidong, pursuant to which the 4S Dealership Group agreed to sell and such Chen's Trading Companies agreed to purchase automobiles and automobile parts for an aggregate consideration of approximately RMB5.2 million.

During January to July 2019, the 4S Dealership Group entered into the Purchase Agreements with certain of the Chen's Trading Companies, namely, Jiangbei Xiezhong, Lishui Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi, Xiezhong Guanghua and Xiezhong Ruidong, pursuant to which the 4S Dealership Group agreed to purchase and such Chen's Trading Companies agreed to sell automobiles and automobile parts for an aggregate consideration of approximately RMB7.7 million.

On 1 January 2019, the 4S Dealership Group entered into the Fee Arrangement Agreements with certain of the Chen's Trading Companies, namely Xiezhong Haosheng and Xiezhong Automobile, pursuant to which (i) the 4S Dealership Group agreed to consign second-hand cars to Xiezhong Haosheng in return for a commission upon the sale of the consigned second-hand cars by Xiezhong Haosheng; and (ii) the 4S Dealership Group agreed to introduce insurance transactions to Xiezhong Automobile in return for a service fee. The aggregate amount of the fee paid under the Fee Arrangement Agreements amounted to approximately RMB8.7 million.

LISTING RULES IMPLICATIONS

After aggregation of the Historical Trading Connected Transactions, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Historical Trading Connected Transactions exceed 0.1% but are less than 5%, the Historical Trading Connected Transactions constitute connected transactions of the Company which are subject to the reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

VIEW OF THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the Historical Trading Connected Transactions are (a) fair and reasonable; (b) on normal commercial terms or better which have been negotiated on an arm's length basis and in the ordinary and usual course of business of the Group; and (c) in the interests of the Company and the Shareholders as a whole.

I. INTRODUCTION

On 28 December 2018, the Group obtained control of the 4S Dealership Companies through the acquisition of the entire equity interests in Sino Evergreen and Jin Cheng HK by the Company (the "**Acquisition**") from Sunrise International and Jin Cheng, respectively. The 4S Dealership Group became the wholly-owned subsidiaries of the Company and its financial results have been consolidated into the financial statements of the Group after the Acquisition. For further details, please refer to (i) the announcement of the Company dated 31 July 2018; (ii) the circular of the Company dated 11 December 2018; and (iii) the poll results announcement of the Company dated 28 December 2018.

II. HISTORICAL CONNECTED TRANSACTIONS OF SALES, PURCHASES AND FEE ARRANGEMENTS

Background

During February to July 2019, the 4S Dealership Group entered into the Sale Agreements with certain of the Chen's Trading Companies, namely, Tangshan Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi and Xiezhong Ruidong, pursuant to which the 4S Dealership Group agreed to sell and such Chen's Trading Companies agreed to purchase automobiles and automobile parts for an aggregate consideration of approximately RMB5.2 million.

During January to July 2019, the 4S Dealership Group entered into the Purchase Agreements with certain of the Chen's Trading Companies, namely, Jiangbei Xiezhong, Lishui Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi, Xiezhong Guanghua and Xiezhong Ruidong, pursuant to which the 4S Dealership Group agreed to purchase and such Chen's Trading Companies agreed to sell automobiles and automobile parts for an aggregate consideration of approximately RMB7.7 million.

On 1 January 2019, the 4S Dealership Group entered into the Fee Arrangement Agreements with certain of the Chen's Trading Companies, namely Xiezhong Haosheng and Xiezhong Automobile, pursuant to which (i) the 4S Dealership Group agreed to consign second-hand cars to Xiezhong Haosheng in return for a commission upon the sale of the consigned second-hand cars by Xiezhong Haosheng (the "**Second-hand Car Sales Commission Arrangement**"); and (ii) the 4S Dealership Group agreed to introduce insurance transactions to Xiezhong Automobile in return for a service fee (the "**Insurance Service Fee Arrangement**").

Principal Terms of the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements

The Sale Agreements

Principal terms of the Sale Agreements are summarised as follows:

Date	:	Between February to July 2019
Parties	:	(i) The 4S Dealership Group, as the supplier; and (ii) Tangshan Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi and Xiezhong Ruidong, each as a purchaser (as the case may be)
Subject matter	:	The sale of automobiles and automobile parts from the 4S Dealership Group to each of Tangshan Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi and Xiezhong Ruidong
Payment method and payment terms	:	The consideration of the order(s) placed under the Sale Agreements is payable at the end of the respective calendar month by bank transfer or by cash
Basis of determination of the sale price:	:	The sale price was determined according to the market conditions, having considered the procurement price, the price recommended by the original manufacturers and the rebate offered by the original manufacturers
Aggregate Consideration under the Sale Agreements	:	Approximately RMB5.2 million

The Purchase Agreements

Principal terms of the Purchase Agreements are summarised as follows:

Date	:	Between January to July 2019
Parties	:	(i) The 4S Dealership Group, as the purchaser; and (ii) Jiangbei Xiezhong, Lishui Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi, Xiezhong Ruidong and Xiezhong Guanghua, each as a supplier (as the case may be)
Subject matter	:	The purchase of automobiles, automobile parts and accessories from each of Jiangbei Xiezhong, Lishui Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi, Xiezhong Ruidong and Xiezhong Guanghua by the 4S Dealership Group
Payment method and payment terms	:	The consideration of the order(s) placed under the Purchase Agreements is payable at the end of the respective calendar month by bank transfer or by cash
Basis of determination of the purchase price:	:	The purchase price was determined according to the market conditions and the price recommended by the original manufacturers
Aggregate Consideration under the Purchase Agreements	:	Approximately RMB7.7 million

The Aggregate Consideration for the Sale Agreements and the Aggregate Consideration for the Purchase Agreements had been determined based on normal business terms and after arm's length negotiations between the 4S Dealership Group and the relevant Chen's Trading Companies with reference to, where applicable, the price recommended by the original manufacturers, the procurement price, the economic conditions, the rebate offered by the original manufacturers in respect of the transactions contemplated under the Sale Agreement, and after taking into account the reasons for and benefits of the Sale Agreements and the Purchase Agreements as described under the section below headed "Reasons for and Benefits of the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements".

The Fee Arrangement Agreements

Principal terms of the Fee Arrangement Agreements are summarised as follows:

Date	:	1 January 2019
Duration of the fee arrangement under the Fee Arrangement Agreements	:	Between 1 January to 31 July 2019
Parties	:	(i) The 4S Dealership Group; and (ii) Xiezhong Haosheng (in respect of the Second-hand Car Sales Commission Arrangement) (iii) Xiezhong Automobile (in respect of the Insurance Service Fee Arrangement)
Subject matter	:	The 4S Dealership Group agreed to consign second-hand cars to Xiezhong Haosheng in return for a commission upon the sale of the consigned second-hand cars by Xiezhong Haosheng. The 4S Dealership Group agreed to introduce insurance transactions to Xiezhong Automobile in return for a service fee.

Basis of determination of the fee payable : The 4S Dealership Group agreed to consign second-hand cars to Xiezhong Haosheng at a price (the “**Consigned Price**”) for a period of 30 days (the “**Consigned Period**”) in return for a commission upon the sale of the consigned second-hand cars by Xiezhong Haosheng.

The 4S Dealership Group agreed to introduce to its customers in Nanjing the insurance products offered by Xiezhong Automobile and procure insurance transactions in return for a service fee payable by Xiezhong Automobile which is determined as follows:

The commission payable by Xiezhong Haosheng comprises the followings:

- (a) a commission of 2% to 15% of the Consigned Price, to be determined by arm’s length negotiation of the parties and depending of the types of the vehicles; and
- (a) in respect of compulsory traffic accident insurance for motor vehicles* (機動車交通事故責任強制保險), a service fee of 4% of the insurance premium is payable; and
- (b) in case the actual selling price of the consigned second-hand car (the “**Actual Selling Price**”) exceeds the Consigned Price, a commission of approximately 80% of the difference between the Actual Selling Price and the Consigned Price.
- (b) in respect of commercial insurance for motor vehicles* (機動車商業保險), a service fee of 25% of the insurance premium is payable.

In case a consigned second-hand car is not sold within the Consigned Period, the consigned car will be returned to the 4S Dealership Group.

The rate of sales commission payable by Xiezhong Haosheng to the 4S Dealership Group is determined by arm's length negotiations with reference to, amongst others, the commission rate generally paid in the second-hand car market based on the market intelligence gathered by the parties.

The rate of the relevant service fee is determined according to the rate generally paid in market with reference to such rate recommended by the relevant insurance company in the People's Republic of China.

Aggregate amount of the fee paid : Approximately RMB2.6 million Approximately RMB6.1 million

The terms of the Fee Arrangement Agreements had been determined based on normal business terms and after arm's length negotiations between the 4S Dealership Group and the relevant Chen's Trading Companies with reference to the past sales performance of the 4S Dealership Group, the rate generally paid in the market according to the market intelligence gathered by the parties, and after taking into account the reasons for and benefits of the Fee Arrangement Agreements as described under the section below headed "Reasons for and Benefits of the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements".

Reasons for and Benefits of the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements

The Sale Agreements

Xiezhong Dongqi and Xiezhong Ruidong are principally engaged in, amongst others, maintenance of automobiles, sale of automobiles, sale of automobile components and leasing of automobiles. As it usually takes a long time from placing orders for certain automobile parts from the original manufacturers till the delivery, Xiezhong Dongqi and Xiezhong Ruidong had procured automobile parts from the 4S Dealership Group to satisfy their customers' requirements from time to time. Also, Tangshan Xiezhong, Wuhu Xiezhong and Xiezhong Ruidong procured certain types of automobiles, the production of which has been ceased by the original manufacturers, from the 4S Dealership Group in case their supplies are unable to meet their customers' demand.

The Directors (including the independent non-executive Directors) consider the terms of the Sale Agreements not less favourable to the Group than those with other customers who are Independent Third Parties for the reasons that: (i) the Group could secure a stable revenue stream in respect of the sale of automobiles and automobile parts; (ii) the demonstrated track record of steady demand from such Chen's Trading Companies; and (iii) the historical payment records of such Chen's Trading Companies.

As at the date of this announcement, the transactions contemplated under the Sale Agreements have been completed and the goods being the subject of the Sale Agreements have been duly delivered to the relevant Chen's Trading Companies. The Group has ceased such sale arrangement and has no intention to enter into further agreements of similar sale arrangement.

The Purchase Agreements

The 4S Dealership Group sourced automobile parts and accessories from Xiezhong Guanghua, which made centralised and bulk procurement of automobiles parts and accessories for the 4S Dealership Group as well as other independent 4S dealership stores, so as to achieve cost-effectiveness and management efficiency. On the other hand, the 4S Dealership Group procured certain types of automobiles, the production of which has been ceased by the original manufacturers, and automobile parts from Jiangbei Xiezhong, Lishui Xiezhong, Wuhu Xiezhong, Xiezhong Dongqi and Xiezhong Ruidong in case our supplies are unable to meet its customers' demand.

The Directors (including the independent non-executive Directors) consider the terms of the Purchase Agreements not less favourable to the Group than those offered by other suppliers who are Independent Third Parties for the reasons that: (i) the Group could secure a steady supply of automobiles, automobile parts and accessories, in particular when the original manufacturers have ceased the production of certain types of automobiles; (ii) the time needed for the delivery of automobiles, automobile parts and accessories from the relevant Chen's Trading Companies is shorter than that when orders are placed directly with the original manufacturers; and (iii) the demonstrated track record of stable supplies from such Chen's Trading Companies to the 4S Dealership Group.

As at the date of this announcement, the transactions contemplated under the Purchase Agreements have been completed and the goods being the subject of the Purchase Agreements have been duly delivered to the 4S Dealership Group. The Group has ceased such purchase arrangement and has no intention to enter into further agreements of similar purchase arrangement.

Before entering into the Sale Agreements and the Purchase Agreements, the 4S Dealership Group has evaluated the terms of the Sale Agreements and the Purchase Agreements based on, among other factors, and where applicable, the specifications and needs of the Group, the credentials and experience of the relevant Chen's Trading Companies, the quality of products to be supplied by the relevant Chen's Trading Companies, the products offered by the relevant Chen's Trading Companies, the service (including delivery timing) agreed to be rendered by the relevant Chen's Trading Companies, etc. Having considered all the factors and the long term relationship between the relevant Chen's Trading Companies and the Group, the Group decided to enter into the Sale Agreements and the Purchase Agreements with the relevant Chen's Trading Companies.

The Fee Arrangement Agreements

The 4S Dealership Group is principally engaged in the operation of three 4S dealership (i.e., automobile dealership authorised by an automobile manufacturer that integrates the four business elements initiated by "S" namely, sales, spare parts, services and survey) stores in the People's Republic of China. As it is common for the customers of the 4S Dealership Group to dispose of their existing vehicles and replace with the newly-purchased vehicles, and to purchase the insurance services for their newly-purchased vehicles, whilst the 4S Dealership Group did not tap into the second-hand car market and the insurance market, such arrangements with Xiezhong Haosheng and Xiezhong Automobile enabled the 4S Dealership Group to offer one-stop and all-round services to meet the customers' requirements.

The Directors (including the independent non-executive Directors) consider the terms of the Fee Arrangement Agreements not less favourable to the Group than those offered by other second-hand car sale agents and insurance agents who are Independent Third Parties for the reasons that: (i) the 4S Dealership Group could secure the necessary second-hand car sale and/or insurance arrangements to satisfy its customers' demand; (ii) the certainty on the terms of the second-hand car sale and insurance arrangements could be attained as such arrangements were offered by the same second-hand car sale agent and insurance agent; and (iii) the demonstrated track record of cooperation between the 4S Dealership Group and such Chen's Trading Companies.

As at the date of this announcement, the Fee Arrangement Agreements have been terminated. The Group has no intention to enter into further agreements of similar fee arrangements.

The Directors (including the independent non-executive Directors) are of the view that the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements were made on normal commercial terms or better and on arm's length basis, the terms of the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Listing Rules Implications

As each of the Chen's Trading Companies is an associate (has the meaning ascribed to it under the Listing Rules) of Mr. Chen, who is the chairman of the Board and an executive Director, when the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements were entered into, each of the Chen's Trading Companies were, at the material time, a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of each of the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements and the transactions contemplated thereunder constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, as the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements were entered into by the 4S Dealership Group with the Chen's Trading Companies within a 12-month period and are of a similar trading nature arising out of the ordinary course of business of the 4S Dealership Group, the Historical Trading Connected Transactions should be aggregated.

After aggregation, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Historical Trading Connected Transactions exceed 0.1% but are less than 5%, the Historical Trading Connected Transactions constitute connected transactions of the Company which are subject to the reporting and announcement requirements but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Non-compliance

After the Acquisition, it took some time for the personnel of the Group to familiarise themselves with the business of the 4S Dealership Group and its day-to-day operation, which is a new business of the Company. Due to an unintentional and inadvertent oversight, the relevant personnel of the Group did not report to the relevant management of the Group timely about the Historical Trading Connected Transactions, such that the Company did not make timely disclosure of the Historical Trading Connected Transactions, which is not in compliance with Rule 14A.35 of the Listing Rules. Such non-compliance came to the notice of the Board in August 2019 and the Group has ceased all connected transactions as those contemplated under the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements with the Chen's Trading Companies. The Board also took prompt actions to comply with the requirements of the Listing Rules by disclosing the relevant transactions.

View of the Directors

The Directors (including the independent non-executive Directors) are of the view that the Historical Trading Connected Transactions are (a) fair and reasonable; (b) on normal commercial terms or better which have been negotiated on an arm's length basis and in the ordinary and usual course of business of the Group; and (c) in the interests of the Company and the Shareholders as a whole.

As Mr. Chen together with his associates controlled the Chen's Trading Companies, Mr. Chen has material interest in the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements and the transactions contemplated thereunder, Mr. Chen had abstained from voting in the resolutions of the Board to approve the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements and the transactions contemplated thereunder.

As Mr. Chen and Mr. Ge Hongbing, as an executive Director, were, amongst others, parties acting in concert with the Joint Offerors in the Offer, Mr. Ge Hongbing is also deemed to be interested in the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements and the transactions contemplated thereunder. Accordingly, Mr. Ge Hongbing had also abstained from voting in the resolutions of the Board to approve the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements and the transactions contemplated thereunder.

Save as disclosed above, none of the Directors has material interests in the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements and the transactions contemplated thereunder and therefore none of the Directors was required to abstain from voting on the Board resolution approving in the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements and the transactions contemplated thereunder.

III. INFORMATION OF THE GROUP AND CHEN'S TRADING COMPANIES

The Group

The Company is an investment holding company which through its subsidiaries is principally engaged in the development, production and sales of automotive HVAC systems and a range of automotive HVAC components, provide technical testing and related services and operate 4S dealership stores in Nanjing, the People's Republic of China.

Chen's Trading Companies

Jiangbei Xiezhong

Jiangbei Xiezhong is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 70% by Xiezhong Automobile and 30% by Mr. Chen Cunfei, who is brother of Mr. Chen.

The main businesses of Jiangbei Xiezhong include sales of automobiles under the FAW-Volkswagen brand, sales of automobiles components, automobiles leasing, automobiles decoration service and offering vehicle trading consultation.

Lishui Xiezhong

Lishui Xiezhong is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 60% by Xiezhong Automobile and 40% by Mr. Ni Yuncheng, who is brother-in-law of Mr. Chen.

The main businesses of Lishui Xiezhong include sales of automobiles under the FAW-Volkswagen brand, sales of automobiles components, automobiles leasing, automobiles decoration service and offering vehicle trading consultation.

Tangshan Xiezhong

Tangshan Xiezhong is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 50% by Mr. Chen, 30% by Mr. Chen Hao, the son of Mr. Chen, and 20% by Ms. Ni Xianglian, the spouse of Mr. Chen.

The main businesses of Tangshan Xiezhong include sales of automobiles under the LEXUS brand, automobiles insurance agency services, automobiles maintenance, sales of automobiles, sales of automobiles components, second hand automobiles brokering and automobiles leasing and exhibition services.

Wuhu Xiezhong

Wuhu Xiezhong is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 70% by Xiezhong Automobile and 30% by Mr. Sun Zhiwei, who is an Independent Third Party.

The main businesses of Wuhu Xiezhong include sales of automobiles, automobiles decoration and detailing services, automobiles maintenance, sales of automobiles, sales of automobiles components, second hand automobiles brokering and automobiles leasing, exhibition services and services for application procedures for registration of vehicle ownerships.

Xiezhong Automobile

Xiezhong Automobile is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 50% by Mr. Chen, 30% by Mr. Chen Hao, the son of Mr. Chen, and 20% by Ms. Ni Xianglian, the spouse of Mr. Chen.

The main businesses of Xiezhong Automobile include automobiles maintenance, sales of automobiles, automobiles components and automobiles supplies under the FAW-Volkswagen brand, automobiles information consultation, automobiles leasing, second-hand vehicle brokering, automobiles insurance agency services and agency services for procedures for registration of vehicle ownerships.

Xiezhong Dongqi

Xiezhong Dongqi is a limited liability company incorporated under the laws of the People's Republic of China, which is directly wholly-owned by Xiezhong Automobile.

The main businesses of Xiezhong Dongqi include automobiles maintenance, automobiles insurance agency services, sales of automobiles, automobiles components and automobiles supplies, automobiles decoration and detailing services, second-hand automobiles brokering, sales of second-hand automobiles, business information consultation and automobiles leasing.

Xiezhong Guanghua

Xiezhong Guanghua is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 92.31% by Brilliance International Holding Ltd. ("**Brilliance**") and 7.69% by Nanjing Xiezhong Real Estate Co., Ltd.* (南京協眾置業有限公司) ("**Xiezhong Real Estate**"). Brilliance International is wholly-owned by Ms. Chen Jiao (being the daughter of Mr. Chen). Xiezhong Real Estate is owned as to 51% by Nanjing Xiezhong Automobile Industry Development Co., Ltd.* (南京協眾汽車實業發展有限公司), which is in turn owned as to 70% by Mr. Chen and 30% by Ms. Ni Xianglian, the spouse of Mr. Chen.

The main businesses of Xiezhong Guanghua is include sales of automobiles components and automobiles components related information consultation services.

Xiezhong Haosheng

Xiezhong Haosheng is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 60% by Mr. Chen and 40% by Xiezhong Automobile.

The main businesses of Xiezhong Haosheng include facility leasing, market management services, second-hand automobiles sales, online second-hand automobiles sales, sales of automobiles and automobiles components and computer information consultation services.

Xiezhong Ruidong

Xiezhong Ruidong is a limited liability company incorporated under the laws of the People's Republic of China, which is owned as to 80% by Xiezhong Automobile and 20% by Mr. Chen.

The main businesses of Xiezhong Ruidong are sales of automobiles under the FAW-Volkswagen brand, sales of automobiles components and supplies, second-hand automobiles brokering, automobiles leasing, automobiles maintenance, automobiles decoration and detailing services, exhibition services, motor automobiles insurance agency services and automobiles business consultation services.

IV. REMEDIAL ACTIONS AND IMPROVEMENT MEASURES

The Company is committed to take remedial actions to tighten its internal control procedures with a view to ensuring a thorough understanding and full compliance with the relevant requirements of the Listing Rules and preventing a recurrence of similar non-compliance events in the future. The Company has implemented the followings:

- (i) strengthen the communication among the management of the Group in respect of the identification, monitoring and compliance aspects in relation to connected transactions, as well as the communication between the management and the professional advisers (including but not limited to auditors and legal advisers) on an ongoing basis for consultation of the compliance with the Listing Rules and the relevant laws and regulations of Hong Kong in respect of connected transactions;
- (ii) arrange for the audit committee to review the Company's internal control procedures in respect of the monitoring of connected transactions under Chapter 14A of the Listing Rules, including reviewing all the Company's connected persons and their associates, assessing the contemplated transactions that has been or may be entered into with them, and requiring the finance department of the Group to report and obtain a written approval from the Company's senior management before such transactions are committed by the Group or other appropriate actions should be taken and if necessary, the Directors will seek advice from the professional advisers; and

(iii) require each of the Directors and senior management to attend training which, in particular, includes connected transactions, corporate governance matters, compliance of the Listing Rules and updates of any change in the Listing Rules, to be provided by the Company's professional advisers or other external recognised institutions on a regular basis.

The Board is of the view that as the improved internal controls cover the identification, monitoring and compliance aspects in relation to connected transactions, such improved internal controls are considered sufficient and adequate.

V. DEFINITIONS

Unless the context otherwise requires, the following expression shall have the following meanings:

“4S Dealership Companies”	collectively, Xiezhong Chenyou, Maanshan Xiezhong and Xiezhong Lexus
“4S Dealership Group”	Sino Evergreen, Jin Cheng HK and their subsidiaries (comprising, amongst others, the 4S Dealership Companies), all of which are our subsidiaries
“Aggregate Consideration under the Purchase Agreements”	the aggregate consideration receivable by the 4S Dealership Group for the goods under the Purchase Agreements
“Aggregate Consideration under the Sale Agreements”	the aggregate consideration payable by the 4S Dealership Group for the goods under the Sale Agreements
“Board”	the board of Directors
“Chen's Trading Companies”	Jiangbei Xiezhong, Lishui Xiezhong, Tangshan Xiezhong, Wuhu Xiezhong, Xiezhong Automobile, Xiezhong Dongqi, Xiezhong Guanghua, Xiezhong Haosheng, Xiezhong Ruidong
“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)
“Director(s)”	the director(s) of the Company

“Fee Arrangement Agreements”	the fee arrangement agreements entered into between the 4S Dealership Group and certain of the Chen’s Trading Companies on 1 January 2019 for certain fee arrangement during the period between 1 January to 31 July 2019, details of which are set out in the paragraph headed “Historical Connected Transactions of Sales, Purchases and Fee Arrangements” in this announcement
“Group”	the Company and its subsidiaries
“Historical Trading Connected Transactions”	the transactions contemplated under the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HVAC”	automotive heating, ventilation and cooling
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons (has the meaning ascribed to it under the Listing Rules)
“Jiangbei Xiezhong”	Nanjing Jiangbei Xiezhong Automobile Sales & Service Co., Ltd.* (南京江北協眾汽車銷售服務有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“Jin Cheng”	Jin Cheng Auto Parts Trade & Investment Co., Ltd., an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wang Zuocheng who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is an Independent Third Party
“Jin Cheng (HK)”	Jin Cheng Auto Parts (Hong Kong) Ltd., a private company limited by shares established in Hong Kong and is directly wholly-owned by the Company as at the date of this announcement
“Joint Offerors”	Brilliance International Holding Ltd. and BHAP HK Investment Limited

“Lishui Xiezhong”	Nanjing Lishui Xiezhong Automobile Sales & Service Co., Ltd.* (南京溧水協眾汽車銷售服務有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“Maanshan Xiezhong”	Maanshan Xiezhong Automobile Sales Co., Ltd.* (馬鞍山協眾汽車銷售有限公司), a limited liability company incorporated under the laws of the People’s Republic of China and is indirectly wholly-owned by Sino Evergreen and Jin Cheng HK
“Mr. Chen”	Mr. Chen Cunyou, the chairman of the Board and an executive Director
“Offer”	the unconditional mandatory cash offer 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 Takeovers Code in July 2014
“Purchase Agreements”	the series of purchase agreements entered into between the 4S Dealership Group and certain of the Chen’s Trading Companies during the period between January to July 2019, details of which are set out in the paragraph headed “Historical Connected Transactions of Sales, Purchases and Fee Arrangements” in this announcement
“RMB”	Renminbi, the lawful currency in the People’s Republic of China
“Sale Agreements”	the series of sale agreements entered into between the 4S Dealership Group and certain of the Chen’s Trading Companies during the period between February to July 2019, details of which are set out in the paragraph headed “Historical Connected Transactions of Sales, Purchases and Fee Arrangements” in this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholders”	holder(s) of the Share(s)
“Sino Evergreen”	Sino Evergreen International Limited, a private company limited by shares established in Hong Kong and directly wholly-owned by the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunrise International”	Sunrise International Investment Management Inc., an investment holding company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Chen Hao, the son of Mr. Chen
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers published by the Securities & Futures Commission of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Tangshan Xiezhong”	Nanjing Tangshan Xiezhong Lexus Automobile Sales & Service Co., Ltd.* (南京湯山協眾雷克薩斯汽車銷售服務有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“Wuhu Xiezhong”	Wuhu Xiezhong Automobile Sales & Service Co., Ltd.* (蕪湖協眾汽車銷售服務有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“Xiezhong Automobile”	Jiangsu Xiezhong Automobile (Group) Company Limited* (江蘇協眾汽車集團有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“Xiezhong Chenyou”	Jiangsu Xiezhong Chenyou Automobile Co., Ltd.* (江蘇協眾晨友汽車有限公司), a limited liability company incorporated under the laws of the People’s Republic of China and is indirectly wholly-owned by Sino Evergreen and Jin Cheng HK
“Xiezhong Dongqi”	Nanjing Xiezhong Dongqi Automobile Co., Ltd.* (南京協眾東麒汽車有限公司), a limited liability company incorporated under the laws of the People’s Republic of China

“Xiezhong Guanghua”	Nanjing Xiezhong Guanghua Automobile Co., Ltd. (南京協眾光華汽車有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“Xiezhong Haosheng”	Jiangsu Xiezhong Haosheng Old Motor Vehicle Trading Market Co., Ltd.* (江蘇協眾浩盛舊機動車交易市場有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“Xiezhong Lexus”	Nanjing Xiezhong Lexus Automobile Sales & Service Co., Ltd.* (南京協眾雷克薩斯汽車銷售服務有限公司), a limited liability company incorporated under the laws of the People’s Republic of China and is indirectly wholly-owned by Sino Evergreen and Jin Cheng HK
“Xiezhong Ruidong”	Nanjing Xiezhong Ruidong Automobile Co., Ltd.* (南京協眾瑞東汽車有限公司), a limited liability company incorporated under the laws of the People’s Republic of China
“%”	per cent

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

Hong Kong, 29 August 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chen Cunyou, Mr. Ge Hongbing, Ms. Chen Xiaoting and Mr. Shen Jun; one non-executive Director, namely 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 purpose only