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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)

CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT HISTORICAL CONNECTED TRANSACTIONS OF SALES, PURCHASES AND FEE ARRANGEMENTS

Reference is made to the announcement of the Company dated 29 August 2019 (the “**Announcement**”) in relation to, amongst others, the historical connected transactions of the Company under the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement. This announcement is supplemental to and should be read in conjunction with the Announcement.

CLARIFICATION

The Board would like to clarify that there are inadvertent errors in the Announcement and would like to clarify that on pages 1, 3, 4 and 18 of the Announcement, the period that the Sale Agreements were entered into shall be “January to July 2019 ...” instead of “February to July 2019 ...”.

FURTHER INFORMATION ON THE SALE AGREEMENTS, THE PURCHASE AGREEMENTS AND THE FEE ARRANGEMENT AGREEMENTS

Further to the information as disclosed in the Announcement, the Board would like to provide further information on the transactions under the Sale Agreements, the Purchase Agreements and the Fee Arrangement Agreements.

The Sale Agreements

The particulars of the Sale Agreements in relation to the sale of automobile parts are set out below:

Description of the products involved	Counterparties	Period in which the transaction(s) took place	Number of transactions involved	Quantity of automobiles parts involved	Approximate consideration (RMB'000)
Sale of automobile parts by the 4S Dealership Group	Xiezhong Chenyou (as seller); and Xiezhong Ruidong (as purchaser)	From February 2019 to July 2019	44	2,431	1,049.2
Sale of automobile parts by the 4S Dealership Group	Xiezhong Chenyou (as seller); and Xiezhong Dongqi (as purchaser)	From January 2019 to July 2019	95	2,176	299.1

The automobile parts involved under the above Sale Agreements include shock absorbers, headlights, car doors, fenders and car bonnets. The sale price of the automobile parts was determined according to the market conditions, having considered the procurement price and the price recommended by the original manufacturers.

The particulars of the Sale Agreements in relation to the sale of automobiles are set out below:

Description of the products involved	Counterparties	Date(s) on which the transaction(s) took place	Number of transaction involved	Number of automobiles involved	Approximate consideration (RMB'000)
Sale of automobile by the 4S Dealership Group	Xiezhong Chenyou (as seller); and	3 January 2019	1	1	136.7
	Xiezhong Ruidong (as purchaser)				
Sale of automobile by the 4S Dealership Group	Maanshan Xiezhong (as seller); and	27 May 2019	1	1	275.2
	Wuhu Xiezhong (as purchaser)				
Sale of automobiles by the 4S Dealership Group	Xiezhong Lexus (as seller); and	19 June 2019	1	5	2,163.9
		3 July 2019	1	1	315.7
	Tangshan Xiezhong (as purchaser)	5 July 2019	1	2	604.6
		10 July 2019	1	1	340.3

The sale price of the automobiles 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.

The Purchase Agreements

The particulars of the Purchase Agreements in relation to the purchase of automobile accessories from Xiezhong Guanghua are set out below:

Description of the products involved	Counterparties	Period in which the transaction(s) took place	Number of transactions involved	Quantity of automobile accessories involved	Approximate consideration (RMB'000)
Purchase of automobile accessories by the 4S Dealership Group	Maanshan Xiezhong (as purchaser); and Xiezhong Guanghua (as seller)	From January 2019 to July 2019	91	9,863	729.0
Purchase of automobile accessories by the 4S Dealership Group	Xiezhong Chenyou (as purchaser); and Xiezhong Guanghua (as seller)	From January 2019 to July 2019	169	48,367	2,723.7
Purchase of automobile accessories by the 4S Dealership Group	Xiezhong Lexus (as purchaser); and Xiezhong Guanghua (as seller)	From January 2019 to July 2019	135	45,612	3,034.5

The automobile accessories involved under the above Purchase Agreements include, amongst others, car seats, mudguards, motor oil, automotive solar films and parking sensors. According to Xiezhong Guanghua, Xiezhong Guanghua was able to obtain discount through bulk procurement of the automobile accessories which then resells the automobile accessories to other retailers (such as 4S stores) including but not limited to the 4S Dealership Group. The purchase price offered by Xiezhong Guanghua to the 4S Dealership Group consists of a mark-up in the range of 5% to 25% from the original acquisition cost, which according to Xiezhong Guanghua, is in line with that offered to the other retailers to which it resells these automobile accessories. According to the 4S Dealership Group, based on the quotation it received from other suppliers, the terms offered by Xiezhong Guanghua are better than other third-party suppliers even in view of the aforementioned mark-ups in purchase price. The purchase price of the automobile accessories was determined according to the market conditions and the original acquisition cost of the automobile accessories.

The particulars of the Purchase Agreements in relation to the purchase of automobile parts from Jiangbei Xiezhong, Lishui Xiezhong, Xiezhong Dongqi and Xiezhong Ruidong are set out below:

Description of the products involved	Counterparties	Period in/Date(s) on which the transaction(s) took place	Number of transactions involved	Quantity of automobile parts involved	Approximate consideration (RMB'000)
Purchase of automobile parts by the 4S Dealership Group	Xiezhong Chenyou (as purchaser); and Xiezhong Dongqi (as seller)	From January 2019 to July 2019	124	984	544.9
Purchase of automobile parts by the 4S Dealership Group	Xiezhong Chenyou (as purchaser); and Xiezhong Ruidong (as seller)	From February 2019 to July 2019	69	340	102.7
Purchase of automobile parts by the 4S Dealership Group	Xiezhong Chenyou (as purchaser); and Jiangbei Xiezhong (as seller)	1 June 2019	1	2	0.6
Purchase of automobile parts by the 4S Dealership Group	Xiezhong Chenyou (as purchaser); and Lishui Xiezhong (as seller)	31 July 2019	1	26	8.1

The automobile parts involved under the above Purchase Agreements include, amongst others, shock absorbers, windshield wipers, headlights, car doors, fenders and car bonnets. The original acquisition cost of such automobile parts was determined by the price recommended by the original manufacturers. As the purchase price of such automobile parts was required by the original manufacturers to adhere to the price recommended by them, the purchase price was in line with the original acquisition cost.

The particulars of the Purchase Agreements in relation to the purchase of automobiles are set out below:

Description of the products involved	Counterparties	Date(s) on which the transaction(s) took place	Number of transaction involved	Number of automobiles involved	Approximate consideration (RMB'000)
Purchase of automobiles by the 4S Dealership Group	Maanshan	2 April 2019	1	1	288.9
	Xiezhong (as purchaser); and Wuhu Xiezhong (as seller)	6 May 2019	1	1	247.8

The original acquisition cost of such automobiles was determined by the price recommended by the original manufacturers. As the purchase price of such automobiles was required to adhere to the price recommended by the original manufacturers, the purchase price was in line with the original acquisition cost.

The Fee Arrangement Agreements

The particulars of the Second-hand Car Sales Commission Arrangement are set out below:

Description of the services involved	Counterparties	Period in which the transaction(s) took place	Number of transactions involved	Approximate consideration (RMB'000)
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.	Xiezhong Chenyou; and Xiezhong Haosheng	From January 2019 to July 2019	680	2,609.1

The particulars of the Insurance Service Fee Arrangement are set out below:

Description of the services involved	Counterparties	Period in which the transaction(s) took place	Number of transactions involved	Approximate consideration (RMB'000)
The 4S Dealership Group agreed to introduce insurance transactions to Xiezhong Automobile in return for a service fee.	Xiezhong Chenyou; and Xiezhong Automobile	From January 2019 to July 2019	5,585	6,112.5

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

Hong Kong, 10 September 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.