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If you have sold or transferred all your shares in **Xiezhong International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

(1) MAJOR TRANSACTION — DISPOSAL OF LAND AND PROPERTIES IN RELATION TO LAND RESUMPTION

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 4 to 17 of this circular.

A notice convening the EGM to be held at 389 Kening Road, Science Park, Jiangning District, Nanjing, Jiangsu Province, PRC on Tuesday, 15 December 2020 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use in the EGM is enclosed and also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.xiezhonginternational.hk). Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof, should you so wish.

24 November 2020

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 21 October 2020 in relation to the Land Resumption
“AVISTA”	AVISTA Valuation Advisory Limited, an independent professional property valuer
“Board”	the board of Directors
“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 same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 389 Kening Road, Science Park, Jiangning District, Nanjing, Jiangsu Province, PRC on Tuesday, 15 December 2020 at 4:00 p.m. for the purpose of, among others, considering and if thought fit, approving and ratifying the Land Resumption Agreement and the Supplemental Agreement and the Land Resumption contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, not a connected person of the Group
“Jiangning District Government”	the People’s Government of Jiangning District
“Jiangning Management Committee”	Nanjing Jiangning High and New Technology Industrial Development Zone Management Committee* (南京江寧高新技術產業開發區管理委員會), being the local body entrusted by Jiangning District Government to be responsible for, among others, the implementation of the resumption of the Resumed Land, Buildings and Fixtures

DEFINITIONS

“Land Acquisition”	the acquisition of a new parcel of land in Nanjing Jiangning High-Tech Industrial Development Zone (南京江寧高新技術產業開發區) by Xiezhong Nanjing from Nanjing Bureau of Land and Resources Jiangning Branch* (南京市國土資源局江寧分局) in June 2019
“Land Resumption”	the resumption by Jiangning Management Committee, and the surrender by Xiezhong Nanjing of the Resumed Land, Buildings and Fixtures in consideration of an aggregate compensation of RMB412,581,717 payable by Jiangning Management Committee to Xiezhong Nanjing
“Land Resumption Agreement”	agreement entered into between Xiezhong Nanjing and Jiangning Management Committee dated 8 May 2020 in relation to the Land Resumption
“Latest Practicable Date”	24 November 2020, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Resumed Land, Buildings and Fixtures”	(i) the land use right to the Land; (ii) the buildings erected on the Land; and (iii) the fixtures of the Company erected on the Land, including structures, attachments and machinery, which are intended to be resumed by Jiangning Management Committee pursuant to the Land Resumption Agreement and the Supplemental Agreement
“RMB”	Renminbi, the lawful currency in the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Supplemental Agreement”	agreement entered into between Xiezhong Nanjing and Jiangning Management Committee dated 10 August 2020 in relation to the Loss for Business Suspension
“Xiezhong Nanjing”	Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd.* (南京協眾汽車空調集團有限公司), a limited liability company established under the laws of the People’s Republic of China, which is a wholly-owned subsidiary of the Group
“%”	per cent

* *For identification purposes only*



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)

Executive Directors:

Mr. CHEN Cunyou (*Chairman*)
Mr. GE Hongbing
Ms. CHEN Xiaoting
Mr. SHEN Jun

Registered Office:

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Non-Executive Director:

Mr. GUO Zhenjun

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Independent Non-Executive Directors:

Mr. CHEUNG Man Sang
Mr. ZHANG Shulin

Headquarters in the PRC:

389 Kening Road Science Park
Jiangning District, Nanjing
Jiangsu Province, PRC

Hong Kong, 24 November 2020

To the Shareholders,

Dear Sir or Madam,

**(1) MAJOR TRANSACTION — DISPOSAL OF LAND AND PROPERTIES
IN RELATION TO LAND RESUMPTION**

AND

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

The Board refers to the Announcement. The purpose of this circular is to provide the Shareholders with, amongst others: (i) further information in relation to the Land

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Resumption Agreement, the Supplemental Agreement and the Land Resumption contemplated thereunder; (ii) the valuation report in relation to the Resumed Land, Buildings and Fixtures; and (iii) the notice convening the EGM and a proxy form.

II. THE LAND RESUMPTION

On 8 May 2020 and 10 August 2020, Xiezhong Nanjing, a wholly-owned subsidiary of the Company entered into the Land Resumption Agreement and the Supplemental Agreement, respectively, with Jiangning Management Committee, pursuant to which, Jiangning Management Committee will resume, and Xiezhong Nanjing will surrender, the Resumed Land, Buildings and Fixtures in consideration of an aggregate compensation of RMB412,581,717 payable by Jiangning Management Committee to Xiezhong Nanjing.

The Land Resumption Agreement

Date: 8 May 2020

Parties: (1) Xiezhong Nanjing
(2) Jiangning Management Committee

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Jiangning Management Committee and its ultimate beneficial owner(s), if any, is an Independent Third Party.

Pursuant to the Land Resumption Agreement, Jiangning Management Committee will resume, and Xiezhong Nanjing will surrender, the Resumed Land, Buildings and Fixtures in consideration of a compensation of RMB240,051,317 payable by the Jiangning Management Committee to Xiezhong Nanjing, which is subject to a further compensation of the amount of losses to be incurred by Xiezhong Nanjing for its production and business suspension attributable to the Land Resumption and plant relocation (the "**Loss for Business Suspension**"), which shall be determined according to a separate valuation.

The Supplemental Agreement

Date: 10 August 2020

Parties: (1) Xiezhong Nanjing
(2) Jiangning Management Committee

Xiezhong Nanjing and Jiangning Management Committee entered into the Supplemental Agreement to the Land Resumption Agreement, pursuant to which Xiezhong Nanjing will be entitled to receive further compensation from the Jiangning Management Committee for the Loss for Business Suspension which is determined by a separate valuation to be in an amount of RMB172,530,400.

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Assets to be resumed

Pursuant to the Land Resumption Agreement and the Supplemental Agreement, Jiangning Management Committee will resume, and Xiezhong Nanjing will surrender the Resumed Land, Buildings and Fixtures, particulars of which are set out below:

Address: No. 389 Ke Ning Road, Ke Xue Yuan, Jiangning District, Nanjing, the PRC

Assets subject to the Land Resumption: (i) The land use right to the land located at No. 389 Ke Ning Road, Ke Xue Yuan, Jiangning District, Nanjing, the PRC (the “**Land**”); (ii) the buildings erected on the Land; and (iii) the fixtures of the Company erected on the Land, including structures, attachments and machinery (i.e., the Resumed Land, Buildings and Fixtures)

Land area of the Land: 53,081.07 sq. m.

Gross floor area of the buildings erected on the Land: 39,705.51 sq. m.

Current land use: Industrial

As at the Latest Practicable Date, the Group occupies an aggregate land area of approximately 60,133.90 sq. m. at No. 389 Ke Ning Road, Ke Xue Yuan, Jiangning District, Nanjing, the PRC, comprising the Land and the remaining land area being the research and development centre of Xiezhong Nanjing, which is not subject to resumption under the Land Resumption. The Land has been approved for industrial use and is used primarily as part of the Group’s production plant and offices for its business operation and as a principal place of business of the Company in the PRC. The production plant on the Land have an annual production capacity of 1.5 million sets of automotive heating, ventilation and air-conditioning (“**HVAC**”) systems and mainly serves the customers of the Group located in Nanjing, Jilin, Beijing, Shandong, Jiangsu, Zhejiang, Anhui, Hunan, Hubei, Sichuan and Guangdong of the PRC.

Compensation and Payment Terms

Pursuant to the Land Resumption Agreement, the compensation payable to Xiezhong Nanjing for the Land Resumption amounts to RMB240,051,317, which shall be payable in cash by Jiangning Management Committee to Xiezhong Nanjing in the following manner and timeline:

- (1) a sum of RMB150,000,000 shall be paid by Jiangning Management Committee to Xiezhong Nanjing within 30 days after entering into the Land Resumption Agreement;

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- (2) a further sum of RMB50,000,000 shall be paid by Jiangning Management Committee to Xiezhong Nanjing within 120 days after entering into the Land Resumption Agreement, and upon, among others, (i) the handover of all the documents required in applying for the cancellation of the relevant original ownership certificates (the “**Documents Handover**”); and (ii) the deregistration of ownerships of the land and buildings of the Resumed Land, Buildings and Fixtures by Xiezhong Nanjing (the “**Deregistration**”); and
- (3) the remaining balance (including the balance of the compensation for the Loss for Business Suspension) shall be paid by Jiangning Management Committee to Xiezhong Nanjing within 10 days after the expiration of one month upon the possession by Jiangning Management Committee of the Resumed Land, Buildings and Fixtures and there being no defects or issues identified during the one-month period.

As at the Latest Practicable Date, the sums payable by Jiangning Management Committee to Xiezhong Nanjing under items (1) and (2) above have been received by Xiezhong Nanjing.

Pursuant to the Supplemental Agreement, the compensation payable to Xiezhong Nanjing for Loss for Business Suspension is determined to be RMB172,530,400, which shall be payable in cash by Jiangning Management Committee to Xiezhong Nanjing in the following manner and timeline:

- (1) a sum of RMB60,000,000 shall be paid by Jiangning Management Committee to Xiezhong Nanjing within one month after entering into the Supplemental Agreement;
- (2) a further sum of RMB60,000,000 shall be paid by Jiangning Management Committee to Xiezhong Nanjing within three months after entering into the Supplemental Agreement; and
- (3) the remaining balance shall be paid by Jiangning Management Committee to Xiezhong Nanjing within one month after Xiezhong Nanjing vacating from the Land.

As at the Latest Practicable Date, the sums payable by Jiangning Management Committee to Xiezhong Nanjing under items (1) and (2) above have been received by Xiezhong Nanjing.

The amount of compensation for the Land Resumption was agreed following arm’s length negotiations held between Jiangning Management Committee and Xiezhong Nanjing, taking into account an assessment conducted by a land resumption consultant (the “**Land Resumption Consultant**”) jointly appointed by Jiangning Management Committee and Xiezhong Nanjing of, *inter alia*, (i) the market value of the Resumed Land, Buildings and Fixtures, being RMB209,140,212 as at 9

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July 2019 (i.e., the date of assessment); and (ii) the statutory compensation and reward for relocation, which were determined by the Land Resumption Consultant to be in the amount of RMB30,911,105.

The assessment of the compensation value based on the value of the Resumed Land, Buildings and Fixtures assessed by the Land Resumption Consultant is higher than the same assessed by AVISTA. Set out below are the particulars of the assessments made by the Land Resumption Consultant and AVISTA.

Assessment	Land and buildings of the Resumed Land, Buildings and Fixtures		Fixtures of the Resumed Land, Buildings and Fixtures	
	Land Resumption Consultant	AVISTA	Land Resumption Consultant	AVISTA
Date	9 July 2019	30 September 2020	9 July 2019	30 September 2020
Methodology	Market approach by reference to benchmark land price coefficient modification method (基準地價係數修正法) (Note 1) and replacement cost approach (重置成本法) (Note 2)	Market approach by reference to comparable market transactions (Note 3)	Cost approach	Cost approach
Value	RMB150,304,512	RMB125,500,000	RMB58,835,700	RMB48,700,000

Notes:

1. Benchmark land price coefficient modification method relies on the valuation results such as urban benchmark land price and the land parcel price adjustment coefficients table. By adopting the principle of substitution, comparing the specific conditions of the land parcel against the average conditions of the district in which the land parcel is located, and referring to the adjustment coefficients table, the corresponding adjustment coefficients are selected and applied to the benchmark land price to come up with the adjusted valuation price as of the valuation date.
2. Replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes.
3. Market approach by making reference to comparable market transactions rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

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Different methodologies and assumptions adopted by the Land Resumption Consultant and AVISTA could result in a different appraised value of the Resumed Land, Buildings and Fixtures. Based on the publicly available information on “中國地價監測網” (www.landvalue.com.cn) and the quarterly reports on the PRC logistics market issued by a leading commercial real estate services and investment firm, the quarter-on-quarter fluctuations from 9 July 2019 (i.e., the date of assessment by the Land Resumption Consultant) to 30 September 2020 (i.e., the date of valuation by AVISTA) of (i) the market price of industrial land in Nanjing, the PRC are around 0.1 percentage point; and (ii) the rent index for the property market in Nanjing, the PRC are around 1 percentage point. Accordingly, the Directors are of the view that (a) the movements in the property market in Nanjing, the PRC remain stable between the dates of assessment/valuation by the Land Resumption Consultant and AVISTA; and (b) the discrepancies in value of the fixtures on one hand and the land and buildings on the other of the Resumed Land, Buildings and Fixtures as assessed by the Land Resumption Consultant and AVISTA are mainly caused from differences in assessment date and methodology as set out above.

The amount of compensation for the Loss for Business Suspension was also agreed following arm's length negotiations held between Jiangning Management Committee and Xiezhong Nanjing, and has made reference to the separate valuation conducted by the Land Resumption Consultant. The separate valuation has taken into account, among others, the historical financial performance of Xiezhong Nanjing and the standard duration of business suspension for an enterprise with similar floor area as a result of business relocation with reference to the applicable valuation guidance and rules in the PRC.

Taking into account (i) the basis of determining the compensation under the Land Resumption has made reference to the market value of the Resumed Land, Buildings and Fixtures; (ii) the compensation determined by the Land Resumption Consultant is higher than the appraised value of the Resumed Land, Buildings and Fixtures prepared by AVISTA; (iii) the estimated financial gain before tax under the Land Resumption as further particularised in the paragraph headed “Financial Effects of the Land Resumption and Proposed Use of Proceeds” below; and (iv) the fact that the business will be suspended for 15 to 30 days (as mentioned below) and the basis of determining the amount of compensation for the Loss for Business Suspension, the Directors concluded that the aggregate compensation receivable by the Group under the Land Resumption is in the interest of the Company and its Shareholders as a whole and is fair and reasonable.

Completion

Vacation of the Resumed Land, Buildings and Fixtures shall be completed before 10 April 2021.

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III. THE RELOCATION

In September 2019, Xiezhong Nanjing acquired a new parcel of land in Nanjing Jiangning High-Tech Industrial Development Zone (南京江寧高新技術產業開發區) from Nanjing Bureau of Land and Resources Jiangning Branch* (南京市國土資源局江寧分局) at an aggregate consideration of approximately RMB43.2 million to build a new production plant for Xiezhong Nanjing. As at the Latest Practicable Date, the consideration for the Land Acquisition has been settled by the internal resources of the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Nanjing Bureau of Land and Resources Jiangning Branch* (南京市國土資源局江寧分局) and its ultimate beneficial owner(s), if any, is an Independent Third Party.

The new parcel of land has a land area of approximately 67,237.54 sq. m. and has been approved for industrial use. The new production plant will have a gross floor area of approximately 140,000 sq. m., and the construction of which will be in phases. The first phase of construction of the new production plant started in June 2020, which is currently in progress and is expected to be completed in February 2021, whereas the construction plan for the remaining part of the production plant will further be decided by the management of the Group in accordance with the business and operation strategies of the Group. It is expected that the first phase of the new production plant will have a gross floor area of approximately 70,000 sq. m. and an annual production capacity of approximately 2 million sets of automotive HVAC systems. As at the Latest Practicable Date, all of the relevant material government approvals and permits have been obtained for the construction of the new production plant.

As at the Latest Practicable Date, the Board expects that the relocation of the production plant of Xiezhong Nanjing from the Land to the new parcel of land will be completed by April 2021, during which the manufacturing of Xiezhong Nanjing may be suspended for about 15 to 30 days. The Group plans to reserve extra inventory starting from March 2021 to ensure sufficient supply for the continued sales during the suspension. The type and amount of extra inventory was estimated based on the purchase orders which are about to be due during the suspension.

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Apart from the Land Acquisition, the estimated costs and expenses for the construction of the new production plant and the estimated costs and expenses for relocation (the “**Relocation Costs**”) (the “**New Plant Costs and Expenses**”) will be as follows:

	<i>RMB'000</i>
Construction of new production base	100,000–112,700
New plant and machinery	17,200–24,000
Furniture, fixtures and equipment	1,200–1,500
Renovation and leasehold improvements	1,000–1,200
Relocation costs	10,000
Other related expenses	<u>600</u>
Total	<u>130,000–150,000</u>

IV. REASONS AND BENEFITS FOR THE LAND RESUMPTION

The Jiangning Management Committee has advised Xiezhong Nanjing that the Resumed Land, Buildings and Fixture is situated within parcels of land that are subject to resumption, following the Jiangning District Government’s policy on the change of land use within that parcels of land from industrial to residential and educational as well as the development of public infrastructure within such area.

To alleviate the financial impact on Xiezhong Nanjing, Jiangning Management Committee agreed to, among others, compensate Xiezhong Nanjing in an aggregate amount of RMB412,581,717 for the costs and expenses incurred in surrendering the Resumed Land, Buildings and Fixtures and the Loss for Business Suspension, which represents a considerable premium to the valuation of the Resumed Land, Buildings and Fixtures made by the Land Resumption Consultant. The Land Resumption also provides an opportunity to Xiezhong Nanjing to obtain funds to support the construction of a “smart” production plant, which is comprised of the concepts of “artificial intelligence, cost effective and eco-friendly” and thereby enabling the sustainable development of the Group’s business in the long run. The Directors believe that the relocation of the production plant of Xiezhong Nanjing to the development zone and the new production plant would allow the Group’s capacities for the production of the automotive HVAC systems be further enhanced and the Group’s productivity be further promoted.

The Directors are also of the view that both the Land Resumption and the relocation will not have a material adverse impact to the Group’s operation and principal business activities due to the following reasons:

- (i) **Relocation schedule:** as at the Latest Practicable Date, the new production plant has been in progress of construction, and it is expected that the relocation will be completed by April 2021 with the manufacturing of Xiezhong Nanjing be suspended for about 15 to 30 days;

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- (ii) **Impact of the relocation:** in order to minimise the impact to the operation of the manufacturing of Xiezhong Nanjing, the Group plans to reserve extra inventory in advance before the relocation to ensure sufficient inventory for the continued sales during the period when the manufacturing of Xiezhong Nanjing is suspended. It is expected that the suspension will not have a material impact on the Group's continued operations; and
- (iii) **Compensation for the resumption and relocation:** the Company expects that the compensation received by the Company can cover the value of the Resumed Land, Buildings and Fixtures, as well as the estimated loss during the relocation.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Land Resumption Agreement, the Supplemental Agreement and the Land Resumption contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

V. FINANCIAL EFFECTS OF THE LAND RESUMPTION AND PROPOSED USE OF PROCEEDS

The net book value of the Resumed Land, Buildings and Fixtures was approximately RMB65,873,000 as at 31 December 2019 and RMB59,974,000 as at 30 September 2020 (which is approximately 16.0% and 14.5% of the total compensation to be paid by Jiangning Management Committee under the Land Resumption, respectively).

The Resumed Land, Buildings and Fixtures will be de-recognised from the books of the Group when the Group vacates from, and Jiangning Management Committee possesses, the Resumed Land, Buildings and Fixtures. The relevant equipment will be de-recognised from the books of the Group if it cannot be relocated to the new production plant or is damaged during the relocation process.

Upon completion of the Land Resumption, it is estimated that the total assets of the Group would be increased by approximately RMB342.0 million (total compensation under the Land Resumption less net book value of the Resumed Land, Buildings and Fixtures as at 30 September 2020, the estimated Relocation Costs and other related expenses, whereas no Loss for Business Suspension has been taken into account) and there will be no material impact to the total liabilities of the Group.

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The unaudited net profit or loss (before and after taxation) attributable to the Resumed Land, Buildings and Fixtures for the financial years ended 31 December 2018 and 31 December 2019 are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2019
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note)</i>	<i>(Note)</i>
Profit/(Loss) before taxation	26,192	(211,771)
Profit/(Loss) after taxation	23,514	(186,244)

Note: These figures represent the net profit/(loss) (before and after taxation) of Xiezhong Nanjing, without taking into account amortisation of land area being the research and development centre, as Xiezhong Nanjing mainly carries out its operation and production on the Resumed Land, Buildings and Fixtures.

It is estimated that there would be a gain before tax of approximately RMB169,477,000 under the Land Resumption Agreement (which is estimated based on the compensation amount thereunder (i.e., RMB240,051,317), less the net book value of the Resumed Land, Buildings and Fixtures as at 30 September 2020 (i.e., approximately RMB59,974,000), the estimated Relocation Costs and other related expenses (which are currently estimated to be in the amount of approximately RMB10,000,000 and RMB600,000, respectively)). Such estimated gain was arrived at as if the Land Resumption was completed on 30 September 2020 and has not taken into account of any PRC profits tax and other related tax expenses to be or may be charged. The actual gain under the Land Resumption Agreement will depend on the net book value of the Resumed Land, Buildings and Fixtures attributable to the Group as at the date of completion of the Land Resumption, the net book value of certain office and production equipment failed to be relocated and reused, damage or impairment to other assets (if any, office equipment, furniture, inventory etc.), and the actual costs and expenses to be incurred in connection with the Land Resumption, relocation of the production plant and offices, which are yet to be determined as at the Latest Practicable Date. The compensation to be received under the Supplemental Agreement will be recognised as government grant in the consolidated financial statements in accordance with the accounting policy set out in the Company's annual report. The actual Loss for Business Suspension will be recognised in the cost of sales or relevant expenses when occurred.

The estimated net proceeds (i.e., the aggregate compensation receivable by the Group under the Land Resumption Agreement and Supplemental Agreement less professional fees and other expenses in relation thereto) arising from the Land Resumption will be of approximately RMB412.0 million.

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The Company intends to apply the net proceeds from the compensation of the Land Resumption in the following manner:

- (i) firstly, to satisfy the New Plant Costs and Expenses and the relevant transaction costs and tax expenses; and
- (ii) the remainder of the net proceeds to be used for the Group's general working capital.

VI. INFORMATION ON THE COMPANY, XIEZHONG NANJING AND JIANGNING MANAGEMENT COMMITTEE

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 the PRC.

Xiezhong Nanjing is a wholly-owned subsidiary of the Company and engaged in the production and sale of automotive air-condition and rendering of services.

The Jiangning Management Committee is located in Jiangning District, Nanjing, the PRC, the local body entrusted by Jiangning District Government who is responsible for, among others, the implementation of the resumption of the Resumed Land, Buildings and Fixtures.

VII. LISTING RULES IMPLICATIONS

The Land Resumption

As one or more of the applicable percentage ratios for the Land Resumption exceeds 25% but is less than 75%, the Land Resumption constitutes a major transaction for the Company and is subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As such, the failure by the Company to comply with the reporting, announcement, circular and Shareholders' approval requirements in respect of the Land Resumption constitutes a non-compliance with Chapter 14 of the Listing Rules. Such delay in disclosure and other compliance matters under Chapter 14 of the Listing Rules is due to the unintentional and inadvertent oversight of the Company. The Company has taken proactive actions to comply with the Listing Rules by way of issuing this circular and seeking the Shareholders' approval and ratification. The Land Resumption will be put forward to the EGM for approval and ratification by all the Shareholders.

The Company and the Board apologise for any inconvenience caused to the Shareholders and investors of the Company due to the non-compliance. Going forward, the Company will closely monitor the effectiveness and efficiency of its compliance system and the relevant corporate governance measures so as to prevent the future occurrence of any similar incidents. The Board will urge the management

LETTER FROM THE BOARD

and employees, including those in the subsidiaries, to strengthen communication with the Board and raise their awareness to the Listing Rules requirements, so as to prevent similar incidents from happening again. Further remediation actions are detailed in the paragraph headed “Remedial actions taken or to be taken” below.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their associates have any material interest in the Land Resumption, thus no Shareholder is required to abstain from voting if the Company were to convene a EGM for the approval of the Land Resumption at the material time.

The Land Acquisition

As the applicable percentage ratio(s) for the Land Acquisition does not exceed 5% as at the date of entering into the relevant agreement under the Land Acquisition, the entering into of the Land Acquisition is not subject to disclosure requirements under Chapter 14 of the Listing Rules.

VIII. REMEDIAL ACTIONS TAKEN OR TO BE TAKEN

The Group 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 following remedial measures have been taken or will be taken by the Group:

- (i) with immediate effect, all acquisition and/or disposal documents with value over RMB25 million to which any member of the Group is expressed as a party are required to be approved by the Board before they may be entered into and a notice regarding the approval procedure will be circulated to all senior management, accounting and financial personnel of the Group (including the legal representatives and directors of all PRC subsidiaries) and a monthly checklist is required to be completed by the relevant handling staff to ensure compliance with the relevant procedures;
- (ii) training will be provided to the relevant handling staff in relation to the requirements under the Listing Rules, particularly those concerning notifiable transactions; and
- (iii) the Company has sought, and will seek legal advice from time to time as and when necessary.

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

LETTER FROM THE BOARD

IX. EGM

A notice convening the EGM to be held at 389 Kening Road, Science Park, Jiangning District, Nanjing, Jiangsu Province, PRC on Tuesday, 15 December 2020 at 4:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use in the EGM is enclosed and also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.xiezhonginternational.hk). Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof, should you so wish.

Ordinary resolutions will be proposed to the Shareholders to approve and ratify the terms of the Land Resumption Agreement, the Supplemental Agreement and the Land Resumption contemplated thereunder. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, as at the Latest Practicable Date, none of the Shareholders is materially interested in the Land Resumption Agreement, the Supplemental Agreement and the Land Resumption contemplated thereunder, and thus no Shareholder is required to abstain from voting at the EGM on resolutions in relation to the Land Resumption Agreement, the Supplemental Agreement and the Land Resumption contemplated thereunder.

X. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the Land Resumption Agreement, the Supplemental Agreement and the Land Resumption contemplated thereunder are fair and reasonable and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Your attention is also drawn to the general information set out in the appendix to this circular.

XI. CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members will be closed from Thursday, 10 December 2020 to Tuesday, 15 December 2020, both days inclusive, for the purpose of ascertaining Shareholder's entitlement to attend and vote at the EGM, during which period no share transfers can be registered. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 December 2020.

LETTER FROM THE BOARD

XII. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
By Order of the Board
Xiezhong International Holdings Limited
CHEN Cunyou
Chairman

I. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2019 and the unaudited interim financial report of the Group for the six months ended 30 June 2020, together with the relevant notes thereto are disclosed in the relevant annual reports and interim report of the Company which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xiezhonginternational.hk):

- (i) annual report of the Company for the year ended 31 December 2017 published on 23 April 2018, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn20180423616.pdf>

- (ii) annual report of the Company for the year ended 31 December 2018 published on 23 April 2019, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn20190423678.pdf>

- (iii) annual report of the Company for the year ended 31 December 2019 published on 14 May 2020, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400663.pdf>

- (iv) interim report of the Company for the six months ended 30 June 2020 published on 10 September 2020, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0910/2020091000428.pdf>

II. STATEMENT OF INDEBTEDNESS

As at 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings, debt securities and lease liabilities as follows:

	<i>Note</i>	<i>RMB'000</i>
Secured loans and other borrowings	(i)	751,355
Unsecured loans and other borrowings	(ii)	275,257
Unsecured lease liabilities		15,853
Unsecured and unguaranteed acquisition related consideration payables		
— Promissory notes		80,312
— Convertible bonds		132,764
— Commitment to issue convertible bonds		51,002

Notes:

- (i) The Group's secured loans and other borrowings amounting to RMB383,358,000 were guaranteed as at 30 September 2020.
- (ii) The Group's unsecured loans and other borrowings amounting to RMB97,000,000 were guaranteed as at 30 September 2020.

Save as disclosed in this circular and apart from intra-group liabilities and trade payables in the normal course of business, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, lease liabilities or hire purchase commitments, liabilities under acceptances or acceptances creditors, or any guarantees, or other contingent liabilities outstanding as at 30 September 2020.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 September 2020, up to and including the Latest Practicable Date.

III. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources including the available credit facilities, the internally generated funds, the net proceeds from the Land Resumption, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular in the absence of unforeseen circumstances.

IV. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group expects that 2020 will be a difficult year for the HVAC system business due to the continuous increase in production costs in maintaining competitiveness as well as the costs in enhancing safety requirements to cope with the development of the automotive industry and the outbreak of COVID-19 pandemic in early 2020.

The COVID-19 pandemic has brought about uncertainties in the Group's operating environment in the PRC and overseas.

On the other hand, for the 4S dealership business, we will expand our brand portfolio, apply for more dealership authorisation. We will continue to focus on the luxury and mid-to-high-end brand and increase customer retention and satisfaction as well as enhancing the efficiency and quality of the operation of the Group. We will continue to expand business coverage, such as automobile premium, accident car insurance, and used car business, thereby increasing profit sources, optimising the revenue structure, and preparing for another historic development opportunity.

Looking forward, according to a market research report commissioned by the Group and prepared by an independent market and consulting company, the total sales volume of new passenger vehicles in the Yangtze River Delta is expected to grow from approximately 3.6 million units in 2019 to 3.7 million units in 2024, representing a compound annual growth rate ("CAGR") of approximately 0.5%, whilst the car ownership in Nanjing and Maanshan Cities is expected to grow from 3.2 million owners in 2019 to 4.6 million owners in 2024, representing a CAGR of approximately 7.5%. It is expected by the management of the 4S Dealership Group that it can benefit from the growing market in the upcoming years.

The Group will continue to assess the impact of (i) the challenging macroeconomic environment; (ii) the PRC's slow economic growth; and (iii) the COVID-19 pandemic on the operation and financial performance of the Group and closely monitor the Group's exposure to the risks and uncertainties. The Company will take appropriate measures as necessary and make announcements as and when appropriate.

V. VALUATION RECONCILIATION STATEMENT

AVISTA, the independent professional property valuer, has valued the land and buildings (the “**Property Interests**”) of the Resumed Land, Buildings and Fixtures as at 30 September 2020. Texts of its letter and valuation certificate issued by AVISTA are included in Appendix II to this circular.

The table below sets forth the reconciliation of the net book value of the Property Interests as at 31 December 2019 to the valuation of the Property Interests as at 30 September 2020 as included in the valuation report in Appendix II to this circular.

	<i>RMB'000</i>
Net book value of Property Interests as at 31 December 2019	46,865
Movement of net book value of Property Interests from 1 January 2020 to 30 September 2020	
— (Depreciation)	(2,454)
Net book value of Property Interests as at 30 September 2020	44,411
Excess of the valuation of Property Interests over their net book value as at 30 September 2020	81,089
Valuation of Property Interests as at 30 September 2020, as set out in the valuation report in Appendix II to this circular	125,500

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 September 2020 of the property interests held by the Group.



23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

TEL : (852) 3702 7338 FAX : (852) 3914 6388

info@avaval.com

www.avaval.com

24 November 2020

The Board of Directors
Xiezhong International Holdings Limited
389 Kening Road, Science Park
Jiangning District, Nanjing
Jiangsu Province
The PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Xiezhong International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to carry out the valuation of the property interests located in the People’s Republic of China (the “**PRC**”) held by the Group. We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the property interests as at 30 September 2020 (the “**Valuation Date**”).

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the RICS Valuation — Global Standards 2020 published by the Royal Institution of Chartered Surveyors (“**RICS**”), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

BASIS OF VALUATION

Our valuation is carried out on a Market Value basis, which is defined as “*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the property in the PRC, we have assumed that transferable land use rights in respect of the property for a specific term at nominal annual land use fees have been granted and that any premium has already been fully settled. We have relied on the advice given by the Group regarding the title to the property. For the purpose of our valuation, we have assumed that the grantee has an enforceable title to the property.

In valuing the property in the PRC, we have assumed that the grantees or the users of the property have free and uninterrupted rights to use or to assign the property for the whole of the unexpired term as granted.

Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “**continued uses**”).

In valuing the property interests, we have valued by market approach by making reference to comparable market transactions in our assessment of the property interests. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests in the PRC. Where possible, we have examined the original documents to verify the exiting title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the legal opinion given by the Company’s PRC legal adviser — Chen & Co. Law Firm (上海市瑛明律師事務所), concerning the validity of title of the property interests in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the Property. The site inspection was carried out on 27 September 2020 by Ken Feng (Senior Manager) and Yoyo Mang (Valuer). However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defects. No tests were carried out on any of the utility services.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

MARKET UNCERTAINTY ALERT

In our valuation, we have considered the market evidences that occurred recently to inform the opinions of value. We have also considered the supply and demand characteristics for the subject property where are possibility in anticipation of the onset situations. However, with the outbreak of the coronavirus disease (COVID-19) declared as a global pandemic in March 2020, there is a time lag in market response to the COVID-19 that the market evidences have yet fully reflect the prospects of worsening economic conditions. The pandemic has caused volatile and unprecedented impacts on global financial markets. We recommend to keep the valuation of your property under frequent review.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C P Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Director

Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Notes: Mr. Vincent C P Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 15 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2020 <i>RMB</i>
An industrial complex located at No. 389 Kening Road, Science Park, Jiangning District, Nanjing, Jiangsu Province, the PRC	<p>The property comprises an industrial complex erected upon a parcel of land with a site area of approximately 53,081.07 sq. m. completed in the period between 2004 and 2012.</p> <p>The property mainly comprises four single to 3-storey workshop, office buildings, warehouse and various structures. The property has a total gross floor area of approximately 39,705.51 sq. m., in which 34,589.10 sq. m. with Building Ownership Certificates and 5,116.41 sq. m. without Building Ownership Certificate.</p> <p>The property is located at Nanjing City, with approximately 10 km to Nanjingnan railway station and 32 km to Nanjing Lukou International Airport.</p> <p>The land use rights of the property have been granted for a term expiring on 14 December 2052 for industrial use.</p>	As at the valuation date, the property was occupied by the Group.	112,700,000 (100% interest attributable to the Group: 112,700,000)

Notes:

- i. Pursuant to the State-owned Land Use Rights Certificates — Ning Jiang Guo Yong (2010) Di No. 00873 dated 11 January 2010 with a total site area of approximately 60,133.9 sq. m. has been vested to Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd. (“**Xiezhong Nanjing**”), expiring on 24 December 2052 for industrial use.

- ii. Pursuant to the four Building Ownership Certificates issued by Nanjing City Jiangning District Housing Administration Bureau (南京市江寧區房產管理局) and Nanjing City Jiangning District Housing and Urban-Rural Development Bureau (南京市江寧區住房和城鄉建設局), the building ownership of the property has been vested to Xiezhong Nanjing, with details as follows:

No.	Building Ownership Certificates No.	Date of Issuance	Building Usage	Gross Floor Area (sq. m.)
1	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. 01080776	28 April 2004	Non-Domestic	15,239.39
2	Ning Fang Quan Zheng Jiang Chu Zi Di No. JN00246615	7 May 2012	Warehouse	3,116.32
3	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JN00150466	31 March 2010	Industrial	10,834.21
4	Jiang Ning Fang Quan Zheng Dong Shan Zi Di No. JH0000574	13 July 2006	Non-Domestic	5,399.18

- iii. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. Xiezhong Nanjing is the legal owner of the land use rights of the property and four buildings with a total gross floor area of 34,589.10 sq. m. and during the valid period of land use rights, Xiezhong Nanjing is entitled to use, make profit, transfer, lease, mortgage or by any other legal means dispose of such portion of the property; and
 - b. Portion of the buildings and structures of the property with a total gross floor area of approximately 5,116.41 sq. m. were built without obtaining building ownership certificates. However, Xiezhong Nanjing was not subject to any penalties. Moreover, according to the Land Resumption Agreement between Xiezhong Nanjing and Jiangning Management Committee, the land together with all the buildings and structures will be resumed by Jiangning Management Committee. Buildings and structures without obtaining building ownership certificates would not disrupt the land resumption.
- iv. In valuation of the property mentioned in Note iii(b), we have attributed no commercial value to the property which has not obtained any Building Ownership Certificate. However, for the reference purpose, we are of the opinion that the reference value of the property as of the date of valuation would be RMB12,800,000 assuming that Building Ownership Certificate has been obtained and the property could be freely transferred.
- v. In our valuation, we have made reference to the asking price references of industrial comparables in the subject and nearby area. We have adopted the range of unit rates between RMB2,800 to RMB3,900 per sq. m. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DIRECTORS' INTERESTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or chief executive of our Company who held office had any interests or short positions in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code.

Long Position in Shares

Name of Directors	Nature of interest	Number of Shares	Approximate percentage of shareholding in the Company
Mr. Ge Hongbing	Beneficial owner	6,000,000 (L)	0.75%
Mr. Guo Zhenjun	Beneficial owner	848,000 (L)	0.11%

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its group members and/or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long Position in Shares

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Sunrise International Investment Management Inc. (" Sunrise International ") (Note 1)	Beneficial owner	347,602,500 (L)	43.45%
Mr. Chen Hao	Beneficial owner	8,208,000 (L)	1.03%
	Interest of controlled corporation	347,602,500 (L)	43.45%
Brilliance International Holding Limited (" Brilliance ") (Note 2)	Beneficial owner	40,763,400 (L)	5.09%
Ms. Chen Jiao (Note 2)	Beneficial owner	12,000,000 (L)	1.50%
	Interest of controlled corporation	40,763,400 (L)	5.09%
China Fund Limited (Note 3)	Beneficial owner	157,134,000 (L)	19.64%
Luckever Holding Limited (Note 3)	Interest of controlled corporation	157,134,000 (L)	19.64%
Mr. Liu Xuezhong (Note 3)	Interest of controlled corporation	157,134,000 (L)	19.64%
Ms. Li Yuelan (Note 3)	Interest of controlled corporation	157,134,000 (L)	19.64%
Tianjin Yitongyuan Asset Management Co Ltd* (天津禱童源資產管理有限公司)	Investment Manager	46,564,000 (L)	5.82%

Notes:

1. Pursuant to the sale and purchase agreement in relation to the sale and purchase of Sino Evergreen International Limited, a wholly-owned subsidiary of the Company dated 31 July 2018 entered into between Sunrise International Investment Management Inc. and the Company as amended by the supplemental sale and purchase agreements dated 31 October 2018 and 11 December 2018, convertible bonds in the maximum amount of HK\$164,013,750 convertible at a conversion price of HK\$1.50 per conversion share, representing a maximum of 109,342,500 conversion shares upon full conversion are to be issued to Sunrise International. For details, please refer to the circular of the Company dated 11 December 2018. Sunrise International is 100% owned by Mr. Chen Hao. Therefore, Mr. Chen Hao is deemed to be interested in all the shares held by Sunrise International by virtue of the SFO.
2. Brilliance is 100% owned by Ms. Chen Jiao. Therefore, Ms. Chen Jiao is deemed to be interested in all the shares by Brilliance by virtue of the SFO.
3. China Fund Limited is 100% owned by Luckever Holding Limited, which is owned as to 60.87% by Mr. Liu Xuezhong and 39.13% by Ms. Li Yuelan (spouse of Mr. Liu Xuezhong), therefore, each of Luckever Holding Limited, Mr. Liu Xuezhong and Ms. Li Yuelan is deemed to be interested in all the shares held by China Fund Limited by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, there is no person other than a director or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

IV. DIRECTORS' SERVICE CONTRACTS

Each of our Directors has entered into a service contract or an appointment letter (subject to retirement by rotation and re-election at the annual general meeting and as the case may be) with our Company for an initial fixed term of three years commencing subject to retirement by rotation and re-election at the annual general meeting and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

V. OTHER INTERESTS OF THE DIRECTORS

Save as disclosed in this circular, as at the Latest Practicable Date:

- (a) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2019, being the date of the latest published audited accounts of the Group, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting as at the date of this circular and which is significant in relation to the business of the Group.

VI. COMPETING INTERESTS

As at the Latest Practicable Date, save as aforesaid or as otherwise mentioned herein, none of the Directors nor his close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

VII. LITIGATION

As far as the Directors are aware, none of the members of the Group was at present engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

VIII. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest audited financial statements of the Group were made up.

IX. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the amendment letter dated 11 December 2018 and entered into between Sunrise International Investment Management Inc., Mr. Chen Hao and the Company (collectively, the “**Parties A**”), which amended, supplemented or otherwise modified certain terms of (i) the sale and purchase agreement in relation to the sale and purchase of entire issued share capital of Sino Evergreen International Limited dated 31 July 2018 and entered into between the Parties A (the “**SPA A**”); and (ii) the amendment letter to SPA A dated 31 October 2018 and entered into between the Parties A;

- (b) the amendment letter dated 11 December 2018 and entered into between Jin Cheng Auto Parts Trade & Investment Co., Ltd., Mr. Wang Zuocheng and the Company (collectively, the “**Parties B**”), which amended, supplemented or otherwise modified certain terms of (i) the sale and purchase agreement in relation to the sale and purchase of entire issued share capital of Jin Cheng Auto Parts (Hong Kong) Ltd. dated 31 July 2018 and entered into between the Parties B (the “**SPA B**”) and (ii) the amendment letter to SPA B dated 31 October 2018 and entered into between the Parties B;
- (c) the Land Resumption Agreement; and
- (d) the Supplemental Agreement.

X. EXPERT’S QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has given opinion or, advice contained in this circular:

Name	Qualification
AVISTA Valuation Advisory Limited	Independent professional property valuer

AVISTA has given and has not withdrawn its written consent to the issue of this circular with the inclusion of extracts of its report and the reference to its name in the form and context in which they appear.

AVISTA has confirmed that each of the letter and report made by them was given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, AVISTA was not interested beneficially or otherwise in any shares or securities in any of subsidiaries or associated corporation (within the meaning of Part XV of the SFO) of the Company and did not have any rights, whether legally enforceable or not, or option to subscribe for or to nominate persons to subscribe for any Shares or securities in any of subsidiaries or associated corporations of the Company nor did they have any interests, either directly or indirectly, in any assets which have been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

XI. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chui Wing Fai, who is a member of the Hong Kong Institute of Certified Public Accountants.

- (b) The registered office of the Company is located at c/o Maples Corporate Services Limited, PO Box 309, Ugland House Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is located at Room 601, New Landwide Commercial Building, 73 Kimberley Road, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

XII. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company's principal place of business in Hong Kong at Room 601, New Landwide Commercial Building, 73 Kimberley Road, Kowloon, Hong Kong during normal business hours from the date of this circular up to and including Tuesday, 15 December 2020 and at the EGM:

- (1) the memorandum and the articles of association of the Company;
- (2) annual reports of the Group for the financial years ended 31 December 2018 and 2019 and the interim report of the Group for the six months ended 30 June 2020;
- (3) the written consent of AVISTA referred to in the section headed "Expert's Qualifications and Consent" in this appendix;
- (4) the valuation report issued by AVISTA, the text of which is set out in Appendix II of this circular;
- (5) the service contracts and letters of appointment referred to in the section headed "Directors' Service Contracts" in this appendix;
- (6) the material contracts referred to in the section headed "Material Contracts" in this appendix; and
- (7) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of the shareholders of Xiezhong International Holdings Limited (the “**Company**”) will be held at 389 Kening Road, Science Park, Jiangning District, Nanjing, Jiangsu Province, PRC on Tuesday, 15 December 2020 at 4:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

- (a) the entering into of the land resumption agreement dated 8 May 2020 and the supplemental agreement dated 10 August 2020 (the “**Land Resumption Agreement**” and the “**Supplemental Agreement**”, a copy of which has been produced to the EGM marked “A”) between Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd.* (南京協眾汽車空調集團有限公司) and Nanjing Jiangning High and New Technology Industrial Development Zone Management Committee* (南京江寧高新技術產業開發區管理委員會) and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified.

NOTICE OF EXTRAORDINARY GENERAL MEETING

(b) any one of the directors of the Company (the “**Director(s)**”) be and is hereby authorised to do all such acts and things, and to sign, execute and seal (where required) all such further documents, instruments or agreements and to take all steps as such Director may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give full effect to or in connection with the Land Resumption Agreement, the Supplemental Agreement and the Land Resumption contemplated thereunder.”

* *For identification purposes only*

Yours faithfully,
By Order of the Board
Xiezhong International Holdings Limited
CHEN Cunyou
Chairman

Hong Kong, 24 November 2020

Notes:

1. The transfer books and register of members will be closed from Thursday, 10 December 2020 to Tuesday, 15 December 2020, both days inclusive, for the purpose of ascertaining shareholder’s entitlement to attend and vote at the extraordinary general meeting (the “**EGM**”), during which period no share transfers can be registered. In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 9 December 2020.
2. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his/her stead. A proxy need not be a shareholder of the Company. If you wish to appoint some person other than the Chairman of the Meeting as your proxy, please delete the words “**THE CHAIRMAN OF THE MEETING or**” and insert the name and address of the person appointed as proxy in the space provided.
3. To be valid, the form of proxy together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.

As at the date of this notice, the board of directors of the Company comprises four executive directors, namely Mr. Chen Cunyou, Mr. Ge Hongbing, Ms. Chen Xiaoting and Mr. Shen Jun; one non-executive director, namely Mr. Guo Zhenjun; and two independent non-executive directors, namely Mr. Cheung Man Sang and Mr. Zhang Shulin.