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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)

CONNECTED TRANSACTIONS AT SUBSIDIARY LEVEL IN RELATION TO SUPPLY AGREEMENTS

THE SUPPLY AGREEMENTS

Hainachuan Xiezhong (as supplier) and the Purchasers (as purchasers) had on 3, 4, 5, 8, 10, 11, 15 March and 8, 12 April 2021 entered into the Supply Agreements in relation to the supply of Air-conditioning Systems by the Group to the Purchasers pursuant to the terms and conditions thereto at an aggregate consideration of approximately RMB14,493,000.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14A.81 of the Listing Rules, as the Supply Agreements are entered into by Hainachuan Xiezhong and the Purchasers of a similar nature within a 12-month period, the transactions contemplated under the Supply Agreements are treated as a series of connected transactions.

Since (i) one of the applicable percentage ratios of the transactions contemplated under the Supply Agreements is more than 1% but all of the applicable percentage ratios are less than 5% in aggregate; (ii) BAIC is a connected person of the Company at the subsidiary level under the Listing Rules; (iii) the Board (including all the independent non-executive Directors) confirmed that the terms of the Supply Agreements are on normal commercial terms and are entered into in the ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, according to Rule 14A.101 of the Listing Rules, the connected transactions contemplated under the Supply Agreements are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements.

INTRODUCTION

As disclosed in the announcements of the Company dated 5 May 2017, 10 May 2017 and 29 May 2017 and the circular of the Company dated 29 May 2017, Xiezhong Nanjing and BAIC entered into the Previous Master Agreement on 5 May 2017 in relation to supply of Air-conditioning Systems by the Group to the Purchasers for the term from 1 January 2018 to 31 December 2020. The Previous Master Agreement has expired in accordance with its terms on 31 December 2020. As at the date of this announcement, no new master agreement has been entered into between Xiezhong Nanjing and BAIC to govern the supply of Air-conditioning Systems by the Group to the Purchasers.

Subsequent to the Supply Agreements entered into between Hainachuan Xiezhong (as supplier) and the Purchasers (as purchasers) as announced in the announcement of the Company dated 5 February 2021, Hainachuan Xiezhong (as supplier) and the Purchasers (as purchasers) had on 3, 4, 5, 8, 10, 11, 15 March and 8, 12 April 2021 further entered into the Supply Agreements in relation to the supply of Air-conditioning Systems by the Group to the Purchasers pursuant to the terms and conditions thereto.

PRINCIPAL TERMS OF THE SUPPLY AGREEMENTS

- Parties : Hainachuan Xiezhong; and
The Purchasers
- Principal terms : The Group agreed to supply Air-conditioning Systems to the Purchasers.
- Consideration : Approximately RMB14,493,000 in aggregate for all of the Supply Agreements.
- Pricing Policy and payment terms : The price, payment terms, specifications and detailed terms with respect to the Air-conditioning Systems provided by the Group have been determined in accordance with the specific orders to be agreed between the Group and the Purchasers on normal commercial terms.

The credit period for transactions under the Supply Agreements is three months from the date of invoice and payment is generally settled by bank's acceptance bills.

The transaction prices of the relevant Air-conditioning Systems have been determined based on a cost-based approach and made reference to (i) the choice and purchasing cost of raw materials determined with reference to the market positioning of the models of the automobile which the order of Air-conditioning Systems will be fitted into; and (ii) the level of technical requirements for the production of such Air-conditioning Systems.

In respect of technical requirements in the determination of the price of Air-conditioning Systems, the Group has taken into account the following factors: (a) the noise emission level requirement while the Air-conditioning Systems are in operation; (b) the cooling efficiency requirement; and (c) the fuel efficiency requirement of the Air-conditioning Systems for the relevant model of automobile. Further, such level of technical requirement will affect the choice and purchasing cost of raw materials. Generally, the higher the market position of the model of automobile, the higher the level of technical requirement and cost of raw materials.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SUPPLY AGREEMENTS

The Group is one of the leading suppliers of HVAC systems for vehicles. Given that the Air-conditioning Systems supplied by the Group to the BAIC Group are for various types and grades of automobile from time to time including newly developed models which may require new production techniques, the transactions contemplated under the Supply Agreements are expected to enhance the Group's product portfolio and allow the Group to keep abreast of market trends.

Further, our Group has already supplied Air-conditioning Systems to the BAIC Group in the past and the sales to the BAIC Group are expected to make positive contribution to the Group's total sales.

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

GENERAL INFORMATION

The Group

The Group is principally engaged in the following two businesses: (i) the design, production and sale of automotive HVAC systems and a range of automotive HVAC components, and provides technical testing and related services; and (ii) 4S dealership business.

Hainachuan Xiezhong

Hainachuan Xiezhong is a company established in the PRC and an indirect subsidiary of the Company. It is principally engaged in the sale of Air-conditioning Systems.

BAIC and the Purchasers

BAIC, owns 60% of the equity interest of Beijing Hainachuan which is a non-controlling 50% equity shareholder of Hainachuan Xiezhong. It is primarily engaged in conducting business activities in the automotive industry. The Purchasers include BAIC, its subsidiaries and/or their respective associates.

LISTING RULES IMPLICATIONS

As at date of this announcement, BAIC owns 60% of the equity interest of Beijing Hainachuan which is a non-controlling 50% equity shareholder of Hainachuan Xiezhong, an indirect subsidiary of the Company. Accordingly, BAIC is a connected person of the Company at the subsidiary level under Rule 14A.07(1) of the Listing Rules. The transactions contemplated under the Supply Agreements constitute connected transactions for the Company.

The Supply Agreements, on stand-alone basis, did not constitute a notifiable transaction since all the applicable percentage ratios were less than 1% and the transaction under each of the Supply Agreements was a connected transaction only because it involved connected person at the subsidiary level, and therefore was exempt from the reporting, announcement, circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Pursuant to Rule 14A.81 of the Listing Rules, as the Supply Agreements are entered into by Hainachuan Xiezhong and the Purchasers of a similar nature within a 12-month period, the transactions contemplated under the Supply Agreements are treated as a series of connected transactions.

Since (i) one of the applicable percentage ratios of the aggregated transactions contemplated under the Supply Agreements is more than 1% but all of the applicable percentage ratios are less than 5% in aggregate; (ii) BAIC is a connected person of the Company at the subsidiary level under the Listing Rules; (iii) the Board (including all the independent non-executive Directors) confirmed that the terms of the Supply Agreements are on normal commercial terms and are entered into in the ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, according to Rule 14A.101 of the Listing Rules, the connected transactions contemplated under the Supply Agreements are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and independent Shareholders' approval requirements.

None of the Directors has any material interests in the transactions contemplated under the Supply Agreements and hence none of the Directors had abstained from voting on the board resolutions approving the transactions contemplated under the Supply Agreements.

DEFINITIONS

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

“Air-conditioning Systems”	automobile air-conditioning systems, assembly parts of automobile air-conditioning systems and related services
“BAIC”	Beijing Automotive Group Co., Ltd.* (北京汽車集團有限公司), a state-owned enterprise established in the PRC, owns 60% of the equity interest of Beijing Hainachuan
“Beijing Hainachuan”	Beijing Hainachuan Automotive Parts Co., Ltd.* (北京海納川汽車部件股份有限公司), a company established in the PRC and a non-controlling 50% equity shareholder of Hainachuan Xiezhong
“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 meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Hainachuan Xiezhong”	Beijing Hainachuan Xiezhong Air-conditioning Co., Ltd.* (北京海納川協眾汽車空調有限公司), a company established in the PRC and an indirect subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HVAC”	automotive heating, ventilation and cooling
“Independent Third Party(ies)”	a party(ies) and, if applicable, the ultimate beneficial owner(s) of the party(ies) who is not or are not the connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Master Agreement”	the master agreement dated 5 May 2017 entered into amongst Xiezhong Nanjing and BAIC, in relation to supply of Air-conditioning Systems by the Group to the Purchasers
“Purchasers” or “BAIC Group”	BAIC and its subsidiaries and/or their respective associates
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement(s)”	the supply agreement(s) dated 3, 4, 5, 8, 10, 11, 15 March and 8, 12 April 2021 entered into between Hainachuan Xiezhong and the Purchasers in relation to the supply of Air-conditioning Systems by the Group to the Purchasers, and a “Supply Agreement” shall refer to any of these supply agreements

“Xiezhong Nanjing”

Nanjing Xiezhong Auto-Airconditioner (Group) Co., Ltd.*
(南京協眾汽車空調集團有限公司), a company established
in the PRC, is an indirectly wholly-owned subsidiary of
the Company

“%”

per cent

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

Hong Kong, 12 April 2021

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. Guo Zhenjun; and three independent non-executive Directors, namely Mr. Kam, Eddie Shing Cheuk, Mr. Cheung Man Sang and Mr. Zhang Shulin.