THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Qingling Motors Co. Ltd**, you should at once hand this circular and the accompanying proxy form and reply slip to the purchaser or transferee 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 or the transferee.

QLMCL

慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1122)

CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

CRESCENDO

Crescendo Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular unless the context otherwise requires.

A letter from the Board is set out on pages 1 to 53 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 54 to 55 of this circular. A letter from Crescendo Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 56 to 98 of this circular.

NOTICE IS HEREBY GIVEN that the EGM will be held at the New Conference Hall of the Company, 1st Floor, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC on Wednesday, 31 May 2023 at 11:00 a.m. (or immediately after the conclusion of the annual general meeting to be convened and held on the same date at the same place) for the purpose of considering and, if thought fit, approving the matters set out in the notice of the EGM. A notice convening the EGM is set out on pages EGM-1 to EGM-6 of this circular. A reply slip and form of proxy for use in connection with the EGM are also enclosed with this circular.

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed reply slip and proxy form in accordance with the instructions printed thereon. The reply slip should be returned to the legal address of the Company at 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC, by post, by cable or by fax (at fax no: (86)23–68830397) on or before Thursday, 11 May 2023. The proxy form should be returned to the legal address of the Company at 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC (in the case of proxy form of holders of Domestic Shares) or the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of proxy form of holders of H Shares) in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular and the enclosed reply slip and proxy form of holders of H Shares for use at the EGM have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.qingling.com.cn).

31 March 2023

* *For identification purposes only*

CONTENTS

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

"Announcement"	the announcement of the Company dated 30 December 2022 in relation to, among other things, the Non-exempt Continuing Connected Transactions
"Articles"	the articles of association of the Company as may be amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Autoparts Manufacturing"	重慶慶鈴汽車配件製造有限公司 (Chongqing Qingling Autoparts Manufacturing Co., Ltd.*), a domestic company established in the PRC with limited liability, which is wholly owned by Qingling Group
"Board"	the board of Directors
"Bosch JV Company"	Bosch Hydrogen Powertrain Systems (Chongqing) Co. Ltd. (博世氫動力系統(重慶)有限公司), a company established in the PRC with limited liability, which is owned as to 40% by Qingling Group and 60% by Bosch (China) Investment Ltd. (博世(中國)投資有限公司). Bosch (China) Investment Ltd. (博世(中國)投資有限公司) is an investment company established and wholly owned by a German company, namely, Robert Bosch GmbH and is principally engaged in developing, managing and coordinating all investment and manufacturing businesses of Bosch in the PRC, all of which are Independent Third Parties
"Chassis Supply Agreement"	the agreement dated 26 November 2019 entered into between the Company and Qingling Group (for itself and on behalf of its subsidiary – Qingling Zhuanyong) relating to the supply of automobile chassis and related components by the Company to Qingling Group and/or Qingling Zhuanyong commencing on 1 January 2020 and expiring on 31 December 2022
"Company"	Qingling Motors Co. Ltd, a sino-foreign joint venture joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 1122)

"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CQAC"	重慶慶鈴車橋有限公司 (Chongqing Qingling Axle Co. Ltd.*), a sino-foreign joint venture company established in the PRC with limited liability, which is owned as to 80%, 10% and 10% by Qingling Group, Isuzu and Isuzu China, respectively
"CQAC Agreement"	the agreement dated 26 November 2019 entered into between CQAC and the Company relating to the supply of certain automobile parts by CQAC to the Company and the leasing of certain machineries from the Company to CQAC commencing on 1 January 2020 and expiring on 31 December 2022
"CQACL"	重慶慶鈴鑄鋁有限公司 (Chongqing Qingling Aluminium Casting Co. Ltd.*), a sino-foreign joint venture company established in the PRC with limited liability, which is owned as to 72.43%, 13%, 10% and 4.57% by Qingling Group, Isuzu, Isuzu China and Yu Gao, respectively
"CQACL Agreement"	the agreement dated 26 November 2019 entered into between CQACL and the Company relating to the supply of certain automobile parts by CQACL to the Company commencing on 1 January 2020 and expiring on 31 December 2022
"CQCC"	重慶慶鈴鑄造有限公司 (Chongqing Qingling Casting Company Limited*), a sino-foreign joint venture company established in the PRC with limited liability, which is owned as to 75%, 21.54% and 3.46% by Qingling Group, Isuzu and IJTT, respectively
"CQCC Agreement"	the agreement dated 26 November 2019 entered into between CQCC (for itself and on behalf of its subsidiary – CQVPM) and the Company relating to the supply of certain automobile parts by CQCC and CQVPM to the Company commencing on 1 January 2020 and expiring on 31 December 2022

"CQFC"	重慶慶鈴鍛造有限公司 (Chongqing Qingling Forging Co. Ltd.*), a sino-foreign joint venture company established in the PRC with limited liability, which is owned as to 75%, 9.18%, 14.03% and 1.8% by Qingling Group, Isuzu, Isuzu China and IJTT, respectively
"CQFC Agreement"	the agreement dated 26 November 2019 entered into between CQFC and the Company relating to the supply of certain automobile parts by CQFC to the Company and the provision of certain consolidated services by the Company to CQFC commencing on 1 January 2020 and expiring on 31 December 2022
"CQNHK"	重慶慶鈴日發座椅有限公司 (Chongqing Qingling NHK Seat Co. Ltd.*), a sino-foreign joint venture company established in the PRC with limited liability, which is owned as to 55.80%, 3%, 2%, 30% and 9.2% by Qingling Group, Isuzu, Isuzu China, NHK and Yu Gao, respectively
"CQNHK Agreement"	the agreement dated 26 November 2019 entered into between CQNHK and the Company relating to the supply of certain automobile parts by CQNHK to the Company commencing on 1 January 2020 and expiring on 31 December 2022
"CQPC"	重慶慶鈴塑料有限公司 (Chongqing Qingling Plastic Co. Ltd.*), a sino-foreign joint venture company established in the PRC with limited liability, which is owned as to 75.15%, 9%, 10% and 5.85% by Qingling Group, Isuzu, Isuzu China and Yu Gao, respectively
"CQPC Agreement"	the agreement dated 26 November 2019 entered into between CQPC and the Company relating to the supply of certain automobile parts by CQPC to the Company commencing on 1 January 2020 and expiring on 31 December 2022
"CQVPM"	重慶慶鈴車輛部品製造有限公司 (Chongqing Qingling Vehicle Parts Manufacturing Co., Ltd.*), a domestic company established in the PRC with limited liability, which is wholly owned by CQCC
"Director(s)"	director(s) of the Company

"Domestic Share(s)"	domestic share(s) of nominal value of RMB1.00 each in the ordinary share capital of the Company
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, pass the ordinary resolutions to be proposed to approve the Non-exempt CCT Agreements, the Non-exempt Continuing Connected Transactions and their respective proposed annual caps
"Former Continuing Connected Transactions"	transactions under the Chassis Supply Agreement, the Parts Supply Agreements, the Hydrogen-powered Modules Supply Agreement, the Isuzu Supply Agreement, the Supply Agreement and the Sales JV Supply Agreement
"Group"	the Company and its subsidiaries from time to time
"H Share(s)"	overseas listed foreign share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hydrogen-powered Modules Supply Agreement"	the agreement dated 30 December 2021 entered into between the Bosch JV Company and the Company relating to the supply of hydrogen-powered modules by the Bosch JV Company to the Company commencing on 30 August 2021 and expiring on 31 December 2022
"IEC"	五十鈴(中國)發動機有限公司 (Isuzu (China) Engine Co., Ltd.*) (formerly known as 慶鈴五十鈴(重慶)發動機有限公司 (Qingling Isuzu (Chongqing) Engine Co., Ltd.*)), a sino-foreign equity joint venture company established in the PRC with limited liability, which is owned as to 19.33%, 30.06% and 50.61% by the Company, Qingling Group and Isuzu, respectively
"IJTT"	IJTT Co., Ltd., a company incorporated in Japan and listed on the Tokyo Stock Exchange
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Mr. LIU Erh Fei) established for the purpose of, among others, reviewing the Non-exempt Continuing Connected Transactions

"Independent Financial Adviser"	Crescendo Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions
"Independent Shareholders"	Shareholders other than the connected person(s) who is/are interested in the relevant transactions
"Independent Third Parties"	independent third parties which are not connected with the chief executive, directors, supervisors and substantial shareholder(s) of the Company or any of its subsidiaries and their respective associates, and each of them an "Independent Third Party"
"Isuzu"	Isuzu Motors Limited, a company incorporated in Japan and listed on the Tokyo Stock Exchange, which is a substantial shareholder of the Company
"Isuzu China"	Isuzu (China) Holding Co., Ltd., a company established in the PRC with limited liability, which is wholly owned by Isuzu
"Isuzu Supply Agreement"	the agreement dated 26 November 2019 entered into between Isuzu and the Company relating to the supply of automobile parts and components by Isuzu to the Company commencing on 1 January 2020 and expiring on 31 December 2022
"Keyu Autoparts"	重慶慶鈴科渝汽車配件有限公司(Chongqing Qingling Keyu Autoparts Co., Ltd.*), a domestic company established in the PRC with limited liability, which is wholly owned by Qingling Group
"KW"	kilowatt
"Latest Practicable Date"	16 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"New Chassis Supply Agreement"	the conditional agreement dated 30 December 2022 entered into between the Company and Qingling Group (for itself and on behalf of its subsidiary – Qingling Zhuanyong) relating to the supply of automobile chassis and related components by the Company to Qingling Group and/or Qingling Zhuanyong, details of which are set out in the section headed "THE NEW CHASSIS SUPPLY AGREEMENT"
"New CQAC Agreement"	the conditional agreement dated 30 December 2022 entered into between CQAC and the Company relating to the supply of certain automobile parts by CQAC to the Company, and the leasing of certain machineries from the Company to CQAC, details of which are set out in the section headed "THE NEW CQAC AGREEMENT"
"New CQACL Agreement"	the conditional agreement dated 30 December 2022 entered into between CQACL and the Company relating to the supply of certain automobile parts by CQACL to the Company, details of which are set out in the section headed "THE NEW CQACL AGREEMENT"
"New CQCC Agreement"	the conditional agreement dated 30 December 2022 entered into between CQCC (for itself and on behalf of its subsidiary – CQVPM) and the Company relating to the supply of certain automobile parts by CQCC and CQVPM to the Company, details of which are set out in the section headed "THE NEW CQCC AGREEMENT"
"New CQFC Agreement"	the conditional agreement dated 30 December 2022 entered into between CQFC and the Company relating to the supply of certain automobile parts by CQFC to the Company, and the provision of certain consolidated services by the Company to CQFC, details of which are set out in the section headed "THE NEW CQFC AGREEMENT"
"New CQNHK Agreement"	the conditional agreement dated 30 December 2022 entered into between CQNHK and the Company relating to the supply of certain automobile parts by CQNHK to the Company, details of which are set out in the section headed "THE NEW CQNHK AGREEMENT"

"New CQPC Agreement"	the conditional agreement dated 30 December 2022 entered into between CQPC and the Company relating to the supply of certain automobile parts by CQPC to the Company, details of which are set out in the section headed "THE NEW CQPC AGREEMENT"
"New Hydrogen-powered Modules Supply Agreement"	the conditional agreement dated 30 December 2022 entered into between the Bosch JV Company and the Company relating to the supply of hydrogen-powered modules by the Bosch JV Company to the Company, details of which are set out in the section headed "THE NEW HYDROGEN-POWERED MODULES SUPPLY AGREEMENT"
"New Isuzu Supply Agreement"	the conditional agreement dated 30 December 2022 entered into between Isuzu and the Company relating to the supply of automobile parts and components by Isuzu to the Company, details of which are set out in the section headed "THE NEW ISUZU SUPPLY AGREEMENT"
"New Parts Supply Agreements"	the New Qingling Group Agreement, the New CQACL Agreement, the New CQCC Agreement, the New CQFC Agreement, the New CQAC Agreement, the New CQNHK Agreement and the New CQPC Agreement
"New Qingling Group Agreement"	the conditional agreement dated 30 December 2022 entered into between Qingling Group (for itself and on behalf of its subsidiaries – QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts) and the Company relating to the supply of certain automobile parts by Qingling Group, QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts to the Company, details of which are set out in the section headed "THE NEW QINGLING GROUP AGREEMENT"
"New QM Moulds Supply Agreement"	the conditional agreement dated 30 December 2022 entered into between QM and Qingling Moulds relating to the supply of moulds and related products and provision of maintenance and processing services by QM to Qingling Moulds, a subsidiary owned as to 50.56% by the Company, details of which are set out in the section headed "THE NEW QM MOULDS SUPPLY AGREEMENT"

"New Sales JV Supply Agreement"	the conditional agreement dated 30 December 2022 entered into between the Company and the Sales JV Company relating to the supply of automobiles and their parts by the Company to the Sales JV Company, details of which are set out in the section headed "THE NEW SALES JV SUPPLY AGREEMENT"
"New Supply Agreement"	the conditional agreement dated 30 December 2022 entered into between the Company and IEC relating to the supply of engine parts and raw materials by the Company to IEC, and the supply of engines and their parts by IEC to the Company, details of which are set out in the section headed "THE NEW SUPPLY AGREEMENT"
"NHK"	NHK Spring Co., Ltd., a company incorporated in Japan and listed on the Tokyo Stock Exchange
"Non-exempt CCT Agreements"	the New Chassis Supply Agreement, the New Parts Supply Agreements, the New QM Moulds Supply Agreement, the New Hydrogen-powered Modules Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Sales JV Supply Agreement
"Non-exempt Continuing Connected Transactions"	the transactions contemplated under the New Chassis Supply Agreement, the New Parts Supply Agreements, the New QM Moulds Supply Agreement, the New Hydrogen-powered Modules Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Sales JV Supply Agreement
"Parts Supply Agreements"	the Qingling Group Agreement, the CQACL Agreement, the CQCC Agreement, the CQFC Agreement, the CQAC Agreement, the CQNHK Agreement and the CQPC Agreement
"percentage ratios"	the percentage ratios under Rule 14.07 of the Listing Rules, other than the profits ratio and equity capital ratio
"PRC"	the People's Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"QAC"	重慶慶鈴汽車底盤部品有限公司(Chongqing Qingling Automobile Chassis Parts Co. Ltd.*), a domestic company established in the PRC with limited liability, which is wholly owned by Qingling Group
"Qingling Group"	慶鈴汽車(集團)有限公司 (Qingling Motors (Group) Co. Ltd*), a state-owned company established in the PRC with limited liability and the controlling shareholder of the Company
"Qingling Group Agreement"	the agreement dated 26 November 2019 entered into between Qingling Group (for itself and on behalf of its subsidiaries - QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts) and the Company relating to the supply of certain automobile parts by Qingling Group, QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts to the Company commencing on 1 January 2020 and expiring on 31 December 2022
"Qingling Group Companies"	Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL, and each of them a "Qingling Group Company"
"Qingling Moulds"	重慶慶鈴模具有限公司 (Chongqing Qingling Moulds Co. Ltd.*), a sino-foreign joint venture company established in the PRC with limited liability, which is owned as to 50.56% and 49.44% by the Company and Isuzu, respectively
"Qingling Zhuanyong"	重慶慶鈴專用汽車有限公司 (Chongqing Qingling Special Vehicle Co. Ltd*) (formerly known as 重慶慶鈴汽車上裝製造有限公司 (Chongqing Qingling Automobile Manufacture and Assembly Co. Ltd.*)), a domestic company established in the PRC with limited liability, which is wholly owned by Qingling Group
"QM"	重慶慶鈴汽車機加部品製造有限公司 (Chongqing Qingling Machinery Parts Co. Ltd.*), a domestic company established in the PRC with limited liability, which is wholly owned by Qingling Group
"RMB"	Renminbi, the lawful currency of the PRC

"Sales JV Company"	慶鈴五十鈴(重慶)汽車銷售服務有限公司 (Qingling Isuzu (Chongqing) Automobile Sales and Service Co., Ltd*), a sino-foreign equity joint venture company established in the PRC with limited liability, which is owned as to 50% and 50% by the Company and Isuzu, respectively
"Sales JV Supply Agreement"	the agreement dated 26 November 2019 entered into between the Company and the Sales JV Company relating to the supply of automobiles and their parts by the Company to the Sales JV Company commencing on 1 January 2020 and expiring on 31 December 2022
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supply Agreement"	the agreement dated 26 November 2019 entered into between the Company and IEC relating to the supply of engine parts and raw materials by the Company to IEC, and the supply of engines and their parts by IEC to the Company commencing on 1 January 2020 and expiring on 31 December 2022
"Three Warranties"	the provision of warranty services in respect of repair, replacement and refund of the Company's products
"VAT"	value-added tax
"Yu Gao"	重慶渝高科技產業(集團)股份有限公司(Chongqing Yu Gao-Tech Industry (Group) Co. Ltd*), which is, according to its website, a state-controlled company incorporated in the PRC with limited liability and has over 250 shareholders of which 重慶兩江新區產業發展集團有限公司 (Chongqing Liangjiang New District Industry Development Group Co., Ltd.*) is the single largest shareholder interested in approximately 37.15% of its registered share capital
"%"	per cent

慶鈴汽車股份有限公司
QINGLING MOTORS CO. LTD

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1122)

Executive Directors:
Mr. LUO Yuguang *(Chairman)*
Mr. YASUTA Tatsuya
Mr. NAKAMURA Osamu
Mr. KIJIMA Katsuya
Mr. LI Juxing
Mr. XU Song
Mr. Li Xiaodong

Independent Non-executive Directors:
Mr. LONG Tao
Mr. SONG Xiaojiang
Mr. LIU Tianni
Mr. LIU Erh Fei

Legal Address:
1 Xiexing Cun
Zhongliangshan
Jiulongpo District
Chongqing
The People's Republic of China

Principal Place of Business in Hong Kong:
Office 1601, 16th Floor
LHT Tower
31 Queen's Road Central
Central, Hong Kong

31 March 2023

To the Shareholders:

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement. Pursuant to the requirements under Chapter 14A of the Listing Rules, the Company will seek the approval of the Independent Shareholders in relation to the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps.

The purpose of this circular is to provide you with further details of the Non-exempt Continuing Connected Transactions and their respective proposed annual caps as well as any other information as required to be contained in this circular under the Listing Rules, together with the notice convening the EGM and the enclosed reply slip and form of proxy.

The Independent Board Committee has been formed to advise the Independent Shareholders as to, among other things, whether the terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM, taking into account the recommendations of the Independent Financial Adviser. Crescendo Capital Limited has been appointed as the independent financial adviser to give recommendations to the Independent Board Committee and the Independent Shareholders as to, among other things, whether the terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM. A letter from the Independent Board Committee is set out on pages 54 to 55 of this circular and a letter from the Independent Financial Adviser is set out on pages 56 to 98 of this circular.

BACKGROUND

The Group had carried on the Former Continuing Connected Transactions which include transactions under the following agreements:

(i) the Chassis Supply Agreement which expired on 31 December 2022;

(ii) the Parts Supply Agreements which expired on 31 December 2022;

(iii) the Hydrogen-powered Modules Supply Agreement which expired on 31 December 2022;

(iv) the Isuzu Supply Agreement which expired on 31 December 2022;

(v) the Supply Agreement which expired on 31 December 2022; and

(vi) the Sales JV Supply Agreement which expired on 31 December 2022.

Details of the Former Continuing Connected Transactions are more particularly set out in the announcement of the Company dated 26 November 2019 and the circular of the Company dated 27 February 2020, respectively.

The Group will from time to time continue to enter into transactions of nature similar to the Former Continuing Connected Transactions after the expiry of the agreements to which the Former Continuing Connected Transactions relate and also enter into new transactions based on its business need. Accordingly, the Group renewed the aforesaid agreements on substantially the same terms and/or entered into the agreements numbered (1) to (3) below with Qingling Group and/or its subsidiaries, the agreement numbered (4) below with the Bosch JV Company, the agreement numbered (5) below with Isuzu, the agreement numbered (6) below with IEC and the agreement numbered (7) below with the Sales JV Company. All the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. THE NEW CHASSIS SUPPLY AGREEMENT

Date	:	30 December 2022
Parties	:	(i) The Company; and (ii) Qingling Group (for itself and on behalf of its wholly owned subsidiary — Qingling Zhuanyong)
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobile chassis and related components for modified vehicles by the Company to Qingling Group and/or Qingling Zhuanyong
Price determination	:	With reference to the market prices of the automobile chassis and related components after arm's length negotiations between the parties thereto
Payment term	:	A credit term of 3 to 6 months after sales

The New Chassis Supply Agreement is a master agreement which sets out the principles upon which detailed terms in relation to the supply of automobile chassis and related components by the Company to Qingling Group and/or Qingling Zhuanyong are to be determined.

Pursuant to the New Chassis Supply Agreement, the Company will enter into separate definitive agreement(s) with Qingling Group from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Chassis Supply Agreement. Such detailed terms include but not limited to prices, payment and settlement terms, quantity, standard of quality, inspection, product liability, liability for compensation and other terms and conditions in relation to the supply of automobile chassis and related components.

The Company and Qingling Group agree that such definitive agreement(s) shall be on normal commercial terms or, if there is no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms that are fair and reasonable to the Company. Qingling Group and/or Qingling Zhuanyong also undertake that the terms offered to the Company shall be no less favourable than those offered to Independent Third Parties by Qingling Group in the market where Qingling Group operates.

Should Qingling Group cease to be a connected person of the Company and the transactions under the New Chassis Supply Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the New Chassis Supply Agreement by notifying Qingling Group in writing.

Historical transaction amounts

The actual amounts received by the Company in respect of the transactions under the Chassis Supply Agreement for the relevant years and the corresponding annual caps are as follows:

	Actual amount incurred (in RMB) *(Approximate)*			**Annual caps (in RMB)**		
	For the year ended 31 December 2020	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the year ended 31 December 2020**	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**
Chassis Supply Agreement	1,578,700,000	1,056,130,000	190,770,000	2,145,830,000	2,456,920,000	3,058,420,000

None of the actual amounts received for the three years ended 31 December 2022 above exceeded their respective annual caps for the corresponding years.

Basis of consideration

The consideration under the New Chassis Supply Agreement will be determined after arm's length negotiations between the parties thereto with reference to the market prices of the automobile chassis and related components. In determining the price of automobile chassis and related components for transactions contemplated under the New Chassis Supply Agreement, the Company will prepare, and update from time to time, a price list for products to be sold to Qingling Group and/or Qingling Zhuanyong with reference to (i) the information on the market prices of automobile chassis and related components with similar specifications, technology and quality requirements in the PRC automobile market; (ii) the Company's estimated production costs for the relevant products; and (iii) the prices of chassis supply transactions conducted by the Company with Independent Third Parties. According to the above pricing policy, historical terms provided by the Company to Qingling Group and/or Qingling Zhuanyong under the Chassis Supply Agreement were similar to those then provided to Independent Third Parties, and their profit margins were of about the same level in the range of 3% to 5% for the three years ended 31 December 2022. In addition, the profit margin level of automobile chassis and related components to be supplied by the Company to Qingling Group and/or Qingling Zhuanyong adopted under the New Chassis Supply Agreement shall be consistent with, and, in any event, no less favourable than the profit margin level of the same type of products sold by the Company to Independent Third Parties from time to time in the coming three years ending 31 December 2025, which is expected to be in the range of 3% to 10%. Thus, the pricing policy of the New Chassis Supply Agreement is considered to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Proposed annual caps

The table below sets out the proposed annual caps for the transactions contemplated under the New Chassis Supply Agreement for the relevant years:

	Proposed annual caps (in RMB)		
	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
New Chassis Supply Agreement	357,760,000	384,610,000	474,640,000

The Company will seek approval from the Independent Shareholders in respect of the entering into of the New Chassis Supply Agreement and the transactions contemplated thereunder as well as the aforesaid proposed annual caps.

Basis of proposed annual caps

The aforesaid proposed annual caps for the transactions contemplated under the New Chassis Supply Agreement are set by the Board with reference to the actual amounts received by the Company in respect of the transactions contemplated under the Chassis Supply Agreement and the anticipated market demand in relation to automobile chassis and related components to be supplied by the Company to Qingling Group and/or Qingling Zhuanyong for the term under the New Chassis Supply Agreement. Further details of the basis of the proposed annual caps are set out in the sub-section headed "Further details of the basis of the proposed annual caps" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 44 to 46 of this circular.

Reasons for entering into the New Chassis Supply Agreement

The Company has been selling chassis to vehicle refitting manufacturers. In order to increase the market sales volume and the market share of the Company, Qingling Group purchases chassis from the Company to manufacture modified vehicles (including but not limited to transportation and cold-storage vehicles), so as to meet the customised requirements for vehicles from customers, and in turn enhance the sales of chassis of the Company. Therefore, the parties entered into the New Chassis Supply Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the consideration) of the New Chassis Supply Agreement are fair and reasonable and on normal commercial terms, and that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Internal control

The Company has implemented internal control measures to ensure that the transactions under the New Chassis Supply Agreement will be conducted in accordance with the terms of the New Chassis Supply Agreement, on normal commercial terms (or, where applicable, on terms no less favourable than terms available to Independent Third Parties), and in accordance with the pricing policy of the Company. Details of the internal control procedures are set out in the sub-section headed "Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 46 to 47 of this circular.

2. THE NEW PARTS SUPPLY AGREEMENTS

a. THE NEW QINGLING GROUP AGREEMENT

Date	:	30 December 2022
Parties	:	(i) Qingling Group (for itself and on behalf of its wholly owned subsidiaries — QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts); and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobile parts including but not limited to stamping components, compartments, machining components and other parts and components by Qingling Group, QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts to the Company
Price determination	:	Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by Qingling Group to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

b. THE NEW CQACL AGREEMENT

Date	:	30 December 2022
Parties	:	(i) CQACL; and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobile parts including but not limited to cast aluminium parts and other relevant parts and components by CQACL to the Company
Price determination	:	Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by CQACL to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

c. THE NEW CQCC AGREEMENT

Date	:	30 December 2022
Parties	:	(i) CQCC (for itself and on behalf of its wholly owned subsidiary — CQVPM); and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobile parts including but not limited to cast parts of engine cylinder blocks, cylinder heads and main bearing covers and other parts and components by CQCC and CQVPM to the Company
Price determination	:	Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by CQCC to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

d. THE NEW CQFC AGREEMENT

Date	:	30 December 2022
Parties	:	(i) CQFC; and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	(a) Supply of automobile parts including but not limited to raw casts of engine crankshafts and connecting rods and other parts and components by CQFC to the Company; and (b) Provision of consolidated services by the Company to CQFC including but not limited to: (i) water, electricity and gas supply services; (ii) equipment repair technical services (including the Three Warranties); (iii) medical and hygiene services; and (iv) telephone services

Price determination	:	(a)	*With respect to supply of automobile parts:* Currently at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by CQFC to Independent Third Parties
		(b)	*With respect to provision of consolidated services:* At prices based on actual costs incurred plus taxes payable
Payment term	:		Payment within one month after receipt of the invoice

With respect to the provision of consolidated services by the Company to CQFC, should CQFC cease to be a connected person of the Company and the consolidated services transactions under the New CQFC Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the provision of consolidated services to CQFC by notifying CQFC in writing.

e. THE NEW CQAC AGREEMENT

Date	:	30 December 2022
Parties	:	(i) CQAC; and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	(a) Supply of automobile parts including but not limited to front and rear motor vehicle axles and other parts and components by CQAC to the Company; and (b) Leasing of machineries from the Company to CQAC for production and testing of front and rear motor vehicle axles to be provided by CQAC to the Company
Price determination	:	*(a) With respect to supply of automobile parts:* Currently at prices not higher than market prices determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by CQAC to Independent Third Parties

(b) *With respect to leasing of machineries:*

Rents for the above-mentioned machineries are as follows:

(i) RMB382,686 (exclusive of VAT) (from 1 January 2023 to 31 December 2023);

(ii) RMB382,686 (exclusive of VAT) (from 1 January 2024 to 31 December 2024); and

(iii) RMB382,686 (exclusive of VAT) (from 1 January 2025 to 31 December 2025)

Rents payable are determined based on normal commercial terms through arm's length negotiations between the parties which are on terms no less favourable than those offered by the Company to Independent Third Parties.

Payment term : (a) *With respect to supply of automobile parts:*

Payment within one month after receipt of the invoice

(b) *With respect to leasing of machineries:*

Payment on a monthly basis before the expiry of the following month

f. THE NEW CQNHK AGREEMENT

Date	:	30 December 2022
Parties	:	(i) CQNHK; and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobile parts including but not limited to motor vehicle seats and other parts and components by CQNHK to the Company
Price determination	:	Currently at prices not higher than market prices determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by CQNHK to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

g. THE NEW CQPC AGREEMENT

Date	:	30 December 2022
Parties	:	(i) CQPC; and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobile parts including but not limited to plastic parts and other parts and components by CQPC to the Company
Price determination	:	Currently at prices not higher than market prices determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by CQPC to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

Each of the New Parts Supply Agreements is a master agreement which sets out the principles upon which further detailed terms in relation to the supply of automobile parts and/or provision of services may be determined between the Company on one hand, and the Qingling Group Companies on the other hand.

Pursuant to each of the New Parts Supply Agreements, the Company may enter into separate definitive agreement(s) with each of the relevant Qingling Group Companies from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the relevant New Parts Supply Agreement. Such detailed terms include, but without limitation, product type, specification, quantity, delivery and/or payment terms and other terms and conditions in relation to the provision of products and/or services.

Historical transaction amounts

The following table sets out the historical transaction amounts for each of the Parts Supply Agreements, together with their respective annual caps, for the relevant years:

	Actual amounts incurred (in RMB) *(Approximate)*			Annual caps (in RMB)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Qingling Group Agreement	28,590,000	68,300,000	106,350,000	108,120,000	130,000,000	164,490,000
CQACL Agreement	9,910,000	9,740,000	4,610,000	19,020,000	25,670,000	33,210,000
CQCC Agreement	29,410,000	21,250,000	9,060,000	41,120,000	46,290,000	57,010,000
CQFC Agreement	35,490,000	35,080,000	18,090,000	52,270,000	57,720,000	68,870,000
CQAC Agreement	436,650,000	397,820,000	256,990,000	708,710,000	852,600,000	1,090,670,000
CQNHK Agreement	65,720,000	61,780,000	37,550,000	116,760,000	141,810,000	175,100,000
CQPC Agreement	60,370,000	69,660,000	44,010,000	100,720,000	125,830,000	163,040,000
Aggregate amount	666,140,000	663,630,000	476,660,000	1,146,720,000	1,379,920,000	1,752,390,000

None of the transaction amounts for the three years ended 31 December 2022 exceeded their respective annual caps for the corresponding years.

Projected transaction amounts

The Directors project that the annual transaction amounts under each of the New Parts Supply Agreements for the three years ending 31 December 2025 will not exceed the amounts set out below, which will also be proposed as the respective annual caps for each of the New Parts Supply Agreements during the corresponding years:

	Projected maximum annual transaction amounts (in RMB)		
	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
New Qingling Group Agreement	285,790,000	369,150,000	479,790,000
New CQACL Agreement	14,360,000	16,280,000	20,450,000
New CQCC Agreement	30,650,000	36,190,000	45,160,000
New CQFC Agreement			
(a) Supply of automobile parts by CQFC to the Company	42,050,000	45,870,000	56,160,000
(b) Provision of consolidated services by the Company to CQFC	3,090,000	3,530,000	4,410,000
New CQAC Agreement			
(a) Supply of automobile parts by CQAC to the Company	689,980,000	841,680,000	1,080,510,000
(b) Leasing of machineries from the Company to CQAC	390,000	390,000	390,000
New CQNHK Agreement	100,230,000	121,610,000	153,830,000
New CQPC Agreement	161,140,000	200,290,000	256,400,000
Aggregate amount	1,327,680,000	1,634,990,000	2,097,100,000

Having considered, among others, the future outlook of the commercial vehicle industry in the PRC (i.e. a gradual rebound of the demand for commercial vehicles in the foreseeable future in view of the economic growth in the PRC and the surge in demand for new energy commercial vehicles), the expected growth in commercial vehicle industry in 2023 following the negative growth in 2022 and the recent ease of the COVID-19 pandemic in the PRC, the Company expected that the number of vehicles to be sold by the Group would increase substantially at a compound annual growth rate of approximately 19.5% for the coming three years ending 31 December 2025. With the expected increase in production and sales volume of vehicles of the Group, the projected transaction amounts under each of the New Parts Supply Agreements were projected to increase at a compound annual growth rate in the range of approximately 15.6% to 29.6% for the three years ending 31 December 2025. In this connection, the annual caps for each of the New Parts Supply Agreements in relation to the trading of automobile parts and components were proposed to increase at a compound annual growth rate in the range of approximately 15.6% to 29.6% for the three years ending 31 December 2025, which is in line with the compound annual growth rate of the projected transaction amounts under each of the New Parts Supply Agreements.

Basis of consideration

The considerations payable by the Company under the New Parts Supply Agreements are determined:

(i) after arm's length negotiations between the parties thereto; and

(ii) (1) with reference to the statistics published in the "China Automotive Industry Yearbook" (中國汽車工業年鑒) (the "**China Automotive Industry Yearbook**"), according to which (a) the average profit margins of the automobile industry in the PRC were 6.25% and 6.12% in 2020 and 2021, respectively; and (b) the average profit margins of the PRC's automobile parts industry in 2020 and 2021 were 6.52% and 6.25%, respectively; and (2) with reference to the statistics published in the "China Automotive Industry Newsletter of Production and Sales", according to which the profit margin of key enterprises in the PRC's automobile industry issued by China Association of Automobile Manufacturers was approximately 8.28% for the eleven months ended 30 November 2022.

The above average profit margins of 6.25% and 6.12% for the automobile industry in the PRC in 2020 and 2021, respectively, as quoted from the China Automotive Industry Yearbook are average levels and the actual profit margin will vary from transaction to transaction depending on the nature, prevailing market prices, technology specifications, quality standards of the parts and the supply-demand relationship in the market. In addition to the statistics published in the China Automotive Industry Yearbook, the Company and Qingling Group have also taken reference from the historical transaction prices of automobile parts in determining the maximum profit margin level. Furthermore, the profit margin of certain automobile parts are relatively higher as those automobile parts involve complex technologies and it is relatively difficult to implement quality control. As such, the Company and the Qingling Group Companies agree to set the maximum profit margin for supplying automobile parts under the New Parts Supply Agreements at 8%, while the actual profit margin will be determined based on the nature, functionality, technology and quality standard of different automobile parts.

Currently, the Company is the only enterprise in the PRC engaging in the manufacturing of commercial vehicles under the brand name of Isuzu, and the Company and the Qingling Group Companies are responsible for assembling certain parts of vehicles based on the product drawings, technology specifications, and quality standards given or confirmed by Isuzu under its guidance. In the event that an Independent Third Party is not authorised by Isuzu or the Company, it will not be able to produce the relevant automobile parts which meet the quality standards of Isuzu. Since no authorisation is given to Independent Third Parties in the market for the production of most of the automobile parts to be supplied by the Qingling Group Companies to the Company under the New Parts Supply Agreements for assembling Isuzu commercial vehicles, no comparable market price is available for those automobile parts, which include, among others, cylinder blocks, cylinder heads, rod castings of engines and specified axles for Isuzu 100P\600P\700P\F light-, medium-, and heavy-duty trucks.

On the other hand, comparable market prices are available for a few of the automobile parts to be supplied under the New Parts Supply Agreements, such as engine oil pans. As such, the Company will determine the market prices of those automobile parts based on the prices of automobile parts with similar specifications, technology and quality requirements etc. in the automotive parts market.

If there is no comparable market price, the considerations in respect of the corresponding automobile parts to be supplied under the New Parts Supply Agreements will be determined with reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more that 8%, which is the maximum consideration payable by the Company under the New Parts Supply Agreements and in any event on terms no less favourable to the Company than those offered by the Qingling Group Companies to Independent Third Parties. The Qingling Group Companies will provide to the Company the estimated costs of automobile parts supplied under the relevant agreements regularly upon which the parties will further negotiate and determine the price of automobile parts with reference to the relevant industrial situation and experience. The Company's access to the quarterly operating statements and the audited annual financial statements of the Qingling Group Companies also enables the Company to ascertain the actual profit margin level achieved by the Qingling Group Companies. The actual consideration to be payable by the Company will be determined with reference to the prevailing market conditions, based on the nature, functionality, technology specifications and quality standards of different parts.

In addition, in relation to the provision of consolidated services by the Company to CQFC pursuant to the New CQFC Agreement, as the provision of consolidated services is not a core business of the Group and the projected transaction amounts for the provision of consolidated services are relatively small, the Company has adopted the pricing term based on actual costs incurred plus taxes payable instead of a term with reference to a particular profit margin. Meanwhile, in relation to the rental payment for the leasing of machineries from the Company to CQAC pursuant to the New CQAC Agreement, the Company has adopted fixed annual rental payment term which was determined on normal commercial terms and on terms no less favourable than those offered by the Company to Independent Third Parties (if any).

Proposed annual caps

Breakdown of the proposed annual caps under each of the New Parts Supply Agreements for the three years ending 31 December 2025 is set out in the subparagraph headed "projected transaction amounts" above on page 17 of this circular. The table below sets out the aggregate amount of the proposed annual caps for the transactions contemplated under the New Parts Supply Agreements for the relevant years:

	Proposed aggregate annual caps (in RMB)		
	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
New Parts Supply Agreements	1,327,680,000	1,634,990,000	2,097,100,000

The Company will seek approval from the Independent Shareholders in respect of the entering into of the New Parts Supply Agreements and the respective transactions contemplated thereunder as well as the aforesaid proposed annual caps.

Basis of proposed annual caps

The aforesaid proposed annual caps are ascertained with reference to (i) the historical sales volume; (ii) the projected sales volume for the three years ending 31 December 2025; and (iii) the expected increase in the number of new vehicles of new models or different specifications to be launched and made available for sale by the Company; and (iv) the projected maximum annual transaction amounts set out in the subparagraph headed "Projected transaction amounts" above. Further details of the basis of the proposed annual caps are set out in the sub-section headed "Further details of the basis of the proposed annual caps" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 44 to 46 of this circular.

Reasons for entering into the New Parts Supply Agreements

As the Company mainly produces various types of vehicles and components under the brand of Isuzu, the Company has to, from time to time, in the course of its business, purchase (i) stamping components, compartments and other parts and components; (ii) cast aluminum parts and other parts and components; (iii) cast parts of engine cylinder blocks, cylinder heads and main bearing covers and other parts and components; (iv) raw casts of engine crankshafts and connecting rods and other parts and components; (v) front and rear motor vehicle axles and other parts and components; (vi) motor vehicle seats and other parts and components; and (vii) plastic parts and other parts and components. Since the principal businesses of Qingling Group, CQACL, CQCC, CQFC, CQAC, CQNHK and CQPC include the production and retail of products mentioned in items (i) to (vii) above, respectively, and the Qingling Group Companies produce such products which meet the quality standards of Isuzu and are willing to produce such products in accordance with the specifications of the Company, the Company entered into the New Parts Supply Agreement to purchase the said products from the relevant Qingling Group Companies (as the case may be).

As the Company mainly manufactures automobiles under the brand of Isuzu, the Company's specifications for all automobile parts must conform with Isuzu's standards. Each of the Qingling Group Companies has already obtained from Isuzu the technical know-how and specific equipment for production of automobile parts in conformity with Isuzu's standards, hence they are capable of manufacturing the said automobile parts based on the specifications and quality standards of Isuzu. The Directors believe that other suppliers do not possess such technical know-how and specific equipment that Isuzu has, and that even if other suppliers may manufacture automobile parts compatible with the same specifications, the quality of those products may not conform with the standards of Isuzu. Therefore, in view of the fact that the Group does not require automobile parts other than those supplied by the Qingling Group Companies, the Company is of the view that it would not be necessary to look for other sources of supply.

Further, CQFC requires various supporting services such as repair and maintenance services for the machineries and other auxiliary and utility-related services to carry out its regular operations. The Directors believe that provision of those services as set out in the New CQFC Agreement by the Company to CQFC would facilitate the operation of the Group and minimise the costs of the Group in setting up crews to provide repair and maintenance services and other related services. Also, CQAC requires certain machineries for its production and inspection of vehicle axles. Such vehicle axles will then be provided by CQAC to the Company. The Directors believe that the leasing of such machineries from the Company to CQAC as set out in the New CQAC Agreement would utilise the Group's resources fully and centralise management of the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the consideration) of the New Parts Supply Agreements are fair and reasonable and on normal commercial terms, and that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Internal control

The Company has implemented internal control measures to ensure that the transactions under the New Parts Supply Agreements will be conducted in accordance with the terms of the New Parts Supply Agreements, on normal commercial terms (or, where applicable, on terms no less favourable than terms available to Independent Third Parties), and in accordance with the pricing policies of the Company. Details of the internal control procedures are set out in the sub-section headed "Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 46 to 47 of this circular.

3. THE NEW QM MOULDS SUPPLY AGREEMENT

Date	:	30 December 2022
Parties	:	(i) QM; and (ii) Qingling Moulds
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of moulds and related products and provision of maintenance and processing services by QM to Qingling Moulds

Price determination	:	Currently at prices not higher than market prices determined with reference to the following pricing policy: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto In any event, on terms no less favourable than those offered by QM to Independent Third Parties
Payment term	:	Payment within one month after receipt of the invoice

The New QM Moulds Supply Agreement is a master agreement which sets out the principles upon which detailed terms in relation to the provision of products and/or services are to be determined between Qingling Moulds on one hand, and QM on the other hand.

Pursuant to the New QM Moulds Supply Agreement, Qingling Moulds may enter into separate definitive agreement(s) with QM from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New QM Moulds Supply Agreement. Such detailed terms include, but without limitation, product type, specification, quantity, delivery and/or scope of service, service liability and standard of quality and other terms and conditions in relation to the provision of products and/or services.

The transactions contemplated under the New QM Moulds Supply Agreement relate to the supply of moulds and related products and/or provision of maintenance and processing services by QM, a wholly owned subsidiary of Qingling Group, to Qingling Moulds, a subsidiary owned as to 50.56% by the Company whereas the transactions contemplated under the New Parts Supply Agreements relate to the supply of automobile parts by the Qingling Group Companies (including but not limited to QM) to the Company. As both the New QM Moulds Supply Agreement and the New Parts Supply Agreements were entered into between Qingling Group and its subsidiaries (including but not limited to QM) on one hand and the Group on the other hand while some of the parts and products to be supplied by QM under the New Parts Supply Agreements and the New QM Moulds Supply Agreement may be of similar nature, the transactions contemplated under the New QM Moulds Supply Agreement will be aggregated with the transactions contemplated under the New Parts Supply Agreements in accordance with Rules 14A.81 to 14A.83 of the Listing Rules.

Basis of consideration

The actual consideration payable by Qingling Moulds under the New QM Moulds Supply Agreement will be determined with reference to the prevailing market conditions and in any event, on terms no less favourable to Qingling Moulds than those offered by QM to Independent Third Parties.

If there are no sufficient comparable transactions with respect to the supply of moulds and related products and provision of maintenance and processing services by QM to Qingling Moulds, the consideration payable by Qingling Moulds under the New QM Moulds Supply Agreement will be determined with reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%, which is the maximum consideration payable by Qingling Moulds under the New QM Moulds Supply Agreement. For further details regarding the reasoning and basis of determining the maximum profit margin, please refer to the subparagraph headed "Basis of consideration" under the sub-section headed "THE NEW PARTS SUPPLY AGREEMENTS" above.

Proposed annual caps

The table below sets out the proposed annual caps for the transactions contemplated under the New QM Moulds Supply Agreement for the relevant years:

	Proposed annual caps (in RMB)		
	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
New QM Moulds Supply Agreement	30,000,000	30,000,000	30,000,000

The Company will seek approval from the Independent Shareholders in respect of the entering into of the New QM Moulds Supply Agreement and the transactions contemplated thereunder as well as the aforesaid proposed annual caps.

Basis of proposed annual caps

No transaction in respect of the supply of moulds and related products and/or the provision of maintenance and processing services by QM to Qingling Moulds was carried out prior to the entering into of the New QM Moulds Supply Agreement, and accordingly, no historical transaction amount was incurred prior to the entering into of the New QM Moulds Supply Agreement.

The aforesaid proposed annual caps are determined based on the estimated amounts of moulds and related products and the estimated value of the maintenance and processing services required by Qingling Moulds for the production of an estimated number of moulds and related products for the three years ending 31 December 2025. Further details of the basis of the proposed annual caps are set out in the sub-section headed "Further details of the basis of the proposed annual caps" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 44 to 46 of this circular.

Reasons for entering into the New QM Moulds Supply Agreement

As the Company mainly produces various types of vehicles and components under the brand of Isuzu, it may, from time to time, in the course of its business, purchase moulds and related products that meet the quality standards required by Isuzu from Qingling Moulds. In this connection, Qingling Moulds may also require moulds and related products that meet the quality standards of Isuzu as well as various supporting services such as maintenance and processing services to carry out its regular operations. Given that QM (i) manufactures moulds and related products that are of high quality and fulfill the quality standards as so require and (ii) provides maintenance and processing services, Qingling Moulds wishes to purchase moulds and related products and obtain maintenance and processing services from QM though entering into the New QM Moulds Supply Agreement, which would in turn facilitate the operation of the Group and minimise the costs of the Group in sourcing and acquiring similar products and/or services from Independent Third Parties.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the consideration) of the New QM Moulds Supply Agreement are fair and reasonable and on normal commercial terms, and that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Internal control

The Company has implemented internal control measures to ensure that the transactions conducted under the New QM Moulds Supply Agreement will be conducted in accordance with the terms of the New QM Moulds Supply Agreement, on normal commercial terms (or, where applicable, on terms no less favourable than terms available to Independent Third Parties), and in accordance with the pricing policy of the Company. Details of the internal control procedures are set out in the sub-section headed "Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 46 to 47 of this circular.

4. THE NEW HYRDOGEN-POWERED MODULES SUPPLY AGREEMENT

Date	:	30 December 2022
Parties	:	(i) The Bosch JV Company; and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of hydrogen-powered modules by the Bosch JV Company to the Company
Price determination	:	The prices are determined based on the following pricing policy: (i) on arm's length basis; (ii) on normal commercial terms, with the selling prices arrived at after negotiations between the parties based on industry benchmark prices that reflect the quality of the relevant hydrogen-powered modules in a fair market; and (iii) in compliance with applicable laws, rules and regulations including, among others, the Listing Rules.

The New Hydrogen-powered Modules Supply Agreement is a master agreement which sets out the principles upon which further detailed terms in relation to the supply of hydrogen-powered modules may be determined between the Company on one hand, and the Bosch JV Company on the other hand.

Pursuant to the New Hydrogen-powered Modules Supply Agreement, the Company may enter into separate definitive agreement(s) with the Bosch JV Company from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Hydrogen-powered Modules Supply Agreement. Such detailed terms include, but without limitation, quantity, standard of quality, price, payment terms and other terms and conditions in relation to the supply of hydrogen-powered modules.

The Company and the Bosch JV Company agree that terms relating to the supply of products shall be on normal commercial terms and determined through arms' length negotiations, or if there is no sufficient comparable transaction to assess whether they are on normal commercial terms, on terms that are fair and reasonable to the Company.

Historical transaction amounts

The following table sets out the historical transaction amounts for the Hydrogen-powered Modules Supply Agreement, together with their respective annual caps, for the relevant years:

	Actual amounts incurred (in RMB) ***(Approximate)***		**Annual caps (in RMB)**	
	For the year ended 31 December 2021	**For the year ended 31 December 2022**	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**
Hydrogen-powered Modules Supply Agreement	53,760,000	146,000,000	54,870,000	160,000,000

The transaction amounts for the two years ended 31 December 2022 did not exceed their respective annual caps for the corresponding years.

Basis of consideration

The consideration payable by the Company under the New Hydrogen-powered Modules Supply Agreement will be determined after arm's length negotiations between the parties thereto and on terms that are fair and reasonable to the Company based on the pricing policy set out in the subparagraph headed "Price determination" above, with reference to, inter alia, industry benchmark prices of hydrogen-powered modules of similar quality.

As at the Latest Practicable Date, to the best knowledge of the Company, no Independent Third Parties in the PRC are capable of providing the hydrogen-powered modules that are required by the Company for assembling its hydrogen fuel cell vehicles and the market for such hydrogen-powered modules is still at an early stage. Therefore, the industry benchmark prices that reflect the quality of the relevant hydrogen-powered modules are currently not available. For the year 2022, the prices of the hydrogen-powered modules per unit of power charged by the Bosch JV Company to Independent Third Parties were in the range of approximately RMB6,000 per KW to RMB8,000 per KW. At present, the prices of the hydrogen-powered modules under the New Hydrogen-powered Modules Supply Agreement are determined based on arm's length negotiations between the parties with reference to the prices of hydrogen-powered modules per unit of power charged by the Bosch JV Company to Independent Third Parties and, in any event, on prices no less favourable than those charged by the Bosch JV Company to Independent Third Parties from time to time in the coming three years ending 31 December 2025. At the time when the market of hydrogen-powered modules of specification and quality that are required by the Company becomes mature and the industry benchmark prices thereof are available, the Company will make reference to such industry benchmark prices by, among others, obtaining quotations from third party suppliers of hydrogen-powered modules of similar specification and quality from time to time for determining the prices of the products to be supplied by the Bosch JV Company to the Company under the New Hydrogen-powered Modules Supply Agreement.

Proposed annual caps

The table below sets out the proposed annual caps for the transactions contemplated under the New Hydrogen-powered Modules Supply Agreement for the relevant years:

	Proposed annual caps (in RMB)		
	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
New Hydrogen-powered Modules Supply Agreement	486,360,000	495,450,000	880,800,000

The Company will seek approval from the Independent Shareholders in respect of the entering into of the New Hydrogen-powered Modules Supply Agreement and the transactions contemplated thereunder as well as the aforesaid proposed annual caps.

Basis of proposed annual caps

The above proposed annual caps for the transactions contemplated under the New Hydrogen-powered Modules Supply Agreement are determined by the Board with reference to (i) the sales capacity of the Company and its subsidiaries; (ii) the expected sales volume of the hydrogen fuel cell vehicles of the Company during the term of the New Hydrogen-powered Modules Supply Agreement; and (iii) the market prices of hydrogen-powered modules and their price trends. Further details of the basis of the proposed annual caps are set out in the sub-section headed "Further details of the basis of the proposed annual caps" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 44 to 46 of this circular.

Reasons for entering into the New Hydrogen-powered Modules Supply Agreement

It was set out in the "New Energy Vehicles Industry Development Plan" (新能源汽車產業發展規劃) issued by the PRC government the goal that the number of hydrogen fuel cell vehicles sold should reach 2 million by 2030, while it was set out in the "Guiding Opinions for the Development of Hydrogen Fuel Cell Vehicles Industry" (氫燃料電池汽車產業發展指導意見) issued by the Chongqing municipal government that the number of hydrogen fuel cell vehicles used in regional public transportation, logistics and other fields should reach 1,500 by 2025. Moreover, the Jiulongpo district government of the Chongqing municipality also proposed a plan to build hydrogen energy technology industrial parks in the western part of the PRC and create a hydrogen valley. To proactively adapt to the new energy revolution and to be in line with the transformation and development of the automotive industry and seize the relevant market opportunities in the PRC, the Company wishes to purchase hydrogen-powered modules from the Bosch JV Company for assembling hydrogen fuel cell commercial vehicles. Therefore, the parties entered into the New Hydrogen-powered Modules Supply Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the consideration) of the New Hydrogen-powered Modules Supply Agreement are fair and reasonable and on normal commercial terms, and that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Internal control

The Company has implemented internal control measures to ensure that the transactions under the New Hydrogen-powered Modules Supply Agreement will be conducted in accordance with the terms of the New Hydrogen-powered Modules Supply Agreement, on normal commercial terms (or, where applicable, on terms no less favourable than terms available to Independent Third Parties), and in accordance with the pricing policy of the Company. Details of the internal control procedures are set out in the sub-section headed "Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 46 to 47 of this circular.

5. THE NEW ISUZU SUPPLY AGREEMENT

Date	:	30 December 2022
Parties	:	(i) Isuzu; and (ii) the Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobile parts of ISUZU N Series, T Series, UC Series, F Series and other series by Isuzu to the Company

Price determination	:	As there is no sufficient comparable transaction, prices shall be determined based on the actual or reasonable costs (whichever is lower) plus a profit margin of not exceeding 10%.
Payment term	:	Payment on delivery

The New Isuzu Supply Agreement is a master agreement which sets out the principles upon which detailed terms in relation to the supply of products are to be determined between the Company and Isuzu.

Pursuant to the New Isuzu Supply Agreement, the Company will enter into separate definitive agreement(s) from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Isuzu Supply Agreement. Such detailed terms include, but without limitation, price, payment and settlement terms, quantity, standard of quality, inspection, product liability, liability for compensation and other terms and conditions in relation to the supply of products.

The Company and Isuzu agree that such detailed terms shall be on normal commercial terms or, if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms that are fair and reasonable to the Company. Isuzu also undertakes that the terms offered to the Company shall be no less favourable than those offered by Isuzu to Independent Third Parties in the market where the Company operates.

In the event that a competitor (including a potential competitor) of Isuzu holds Shares of a number equivalent to or more than that held by Isuzu or there is a change in control in Qingling Group, Isuzu may terminate the New Isuzu Supply Agreement by giving written notice to the Company.

Should Isuzu cease to be a connected person of the Company and the transactions under the New Isuzu Supply Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the New Isuzu Supply Agreement by notifying Isuzu in writing.

Historical transaction amounts

The following table sets out the historical transaction amounts in respect of the Isuzu Supply Agreement, together with their respective annual caps, for the relevant years:

	Actual amount incurred (in RMB) *(Approximate)*			Annual caps (in RMB)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Isuzu Supply Agreement	288,970,000	154,850,000	54,610,000	419,090,000	625,080,000	857,920,000

None of the transaction amounts for the three years ended 31 December 2022 above exceeded their respective annual caps for the corresponding years.

Basis of consideration

The consideration payable by the Company under the New Isuzu Supply Agreement will be determined after arm's length negotiations between the parties thereto and on terms no less favourable than those offered by Isuzu to Independent Third Parties in the market where the Company operates.

As there are no sufficient comparable transactions, the consideration in respect of the New Isuzu Supply Agreement is to be determined with reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 10%, which is determined with reference to the statistics published in the China Automotive Industry Yearbook, according to which the average profit margins of the automobile industry in the PRC were 6.25% and 6.12% in 2020 and 2021, respectively. The Company noted that the maximum profit margin of 10% determined by the Company and Isuzu is slightly higher than the respective industry average in 2020 and 2021. The Company considers that the maximum profit margin of 10% is reasonable as Isuzu has exclusive technology and quality standards designed for parts and components of commercial vehicles. The Company also considers that as automobile parts and components produced by Isuzu are exclusive, and the technology and quality of its products are not available in the domestic market of the PRC, the Company is required to purchase the relevant automobile parts from Isuzu in order to ensure that the vehicles produced and sold by the Company under the brand name of Isuzu reach the technology and performance standards as required.

The Company also made reference to the estimated prices of the same automobile parts and components sold by Isuzu in the domestic market of Japan to compare and determine the consideration in respect of the New Isuzu Supply Agreement. Although the market conditions in Japan and the PRC are different and a direct comparison between prices of the two might not be appropriate in usual cases, given that the automobile parts and components from Isuzu are sold to the Company exclusively in the PRC and no substitutes are available in the domestic market of the PRC, the estimated prices of the same in Japan, together with certain additional fees (such as packaging and transportation fees), can serve as references for assessing the reasonableness of the prices charged by Isuzu.

Based on the above factors, the Company considers that the prices of automobile parts and components to be supplied by Isuzu under the New Isuzu Supply Agreement will be no less favourable than that of similar automobile parts and components supplied by Isuzu to Independent Third Parties in the domestic markets of Japan and the PRC (if available), and has agreed to set the maximum profit margin level to be received by Isuzu for the transactions contemplated under the New Isuzu Supply Agreement at 10% when determining the consideration, especially when the products sold by Isuzu are tailor-made and it is a generally acceptable market practice for the vendors to charge a higher premium for tailor-made products.

The Company and Isuzu will arrange monthly meetings to discuss the prices of the relevant products with reference to the cost information and the estimated packaging and transportation fee provided by Isuzu.

Proposed annual caps

The table below sets out the proposed annual caps for the transactions contemplated under the New Isuzu Supply Agreement for the relevant years:

	Proposed annual caps (in RMB)		
	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
New Isuzu Supply Agreement	299,710,000	431,790,000	589,140,000

The Company will seek approval from the Independent Shareholders in respect of the entering into of the New Isuzu Supply Agreement and the transactions contemplated thereunder as well as the aforesaid proposed annual caps.

Basis of proposed annual caps

The aforesaid proposed annual caps for the New Isuzu Supply Agreement are set by the Board with reference to (i) the historical sales volume; (ii) the projected sales volume for the term of the New Isuzu Supply Agreement, taking into account, inter alia, the overall business environment and specific growth strategies of the Company; (iii) the number of new vehicles of new models or different specifications to be launched and made available for sale by the Company; and (iv) the expected expansion of sales network through distributors in the PRC. Further details of the basis of the proposed annual caps are set out in the sub-section headed “Further details of the basis of the proposed annual caps” under the section headed “Non-exempt Continuing Connected Transactions” in this letter from the Board on pages 44 to 46 of this circular.

Reasons for entering into the New Isuzu Supply Agreement

For its business of manufacturing and selling vehicles under the brand name of Isuzu, the Company needs to purchase automobile parts and components from Isuzu from time to time, and requires Isuzu to supply technology and technical know-how in order to fulfill product standards and specifications required by Isuzu. Hence, the parties entered into the New Isuzu Supply Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the consideration) of the New Isuzu Supply Agreement are fair and reasonable and on normal commercial terms, and that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Internal control

The Company has implemented internal control measures to ensure that the transactions under the New Isuzu Supply Agreement will be conducted in accordance with the terms of the New Isuzu Supply Agreement, on normal commercial terms (or, where applicable, on terms no less favourable than terms available to Independent Third Parties), and in accordance with the pricing policy of the Company. Details of the internal control procedures are set out in the sub-section headed "Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 46 to 47 of this circular.

6. THE NEW SUPPLY AGREEMENT

Date	:	30 December 2022
Parties	:	(i) The Company; and (ii) IEC
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	(a) Supply of engine parts and raw materials required for the manufacturing of engines by the Company to IEC; and (b) Supply of engines and their parts by IEC to the Company
Price determination	:	As there is no sufficient comparable transaction, prices shall be determined based on the actual costs incurred plus a premium of not exceeding 10%. Such premium shall be finalised by both parties on the basis that it is fair and reasonable to both parties.
Payment term	:	Payment of products for the preceding month shall be made by the end of each month

Pursuant to the New Supply Agreement, the parties shall enter into separate definitive agreement(s) with detailed terms in relation to the supply of products in accordance with the underlying principles under the New Supply Agreement. Such detailed terms shall include, without limitation, order-making procedure policy, method of delivery, price, payment and settlement terms, quantity, standard of quality, inspection of products, product liability, liability for compensation and other terms and conditions in relation to the sale and purchase of specific types of products.

Should IEC cease to be a connected person of the Company and the transactions under the New Supply Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the New Supply Agreement by notifying IEC in writing.

Historical transaction amounts

The following table sets out the historical transaction amounts in respect of the supply of engine parts and raw materials by the Company to IEC, and the supply of engines and their parts by IEC to the Company under the Supply Agreement, together with their respective annual caps, for the relevant years:

		Actual amount incurred (in RMB) *(Approximate)*			Annual caps (in RMB)		
		For the year ended 31 December 2020	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the year ended 31 December 2020**	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**
(a)	Supply of engine parts and raw materials by the Company to IEC	633,450,000	387,410,000	193,190,000	1,489,300,000	2,366,450,000	2,983,550,000
(b)	Supply of engines and their parts by IEC to the Company	1,179,320,000	960,760,000	655,190,000	1,947,410,000	2,892,380,000	3,637,080,000

None of the transaction amounts for the three years ended 31 December 2022 above exceeded their respective annual caps for the corresponding years.

Basis of consideration

The consideration payable by the relevant parties under the New Supply Agreement was determined after arm's length negotiations between the parties thereto. As there are no sufficient comparable transactions, the consideration will be determined based on the actual costs incurred plus a premium of not exceeding 10%, which were determined with reference to the statistics published in the China Automotive Industry Yearbook (2020 and 2021: the average profit margins of the PRC's automobile industry were 6.25% and 6.12%, respectively, and the average profit margins of the PRC's automobile parts industry were 6.52% and 6.25%, respectively).

In relation to the supply of engines and their parts by IEC to the Company, although the maximum profit margin of 10% is slightly higher than the average level of the industry, the Company considers that (i) the maximum profit margin of 10% is reasonable as the production of engine assemblies, being the core parts of the Isuzu vehicles rather than merely single parts, requires a higher technical level as compared to the manufacturing of other general parts and therefore a higher profit margin for engine assemblies is commercially justifiable; and (ii) the qualities of the engine assemblies and parts provided by IEC are higher than the market level and such products are in full compliance with the technology and performance standard as required for Isuzu vehicles. In determining the prices of the products to be supplied by IEC to the Company, the Company will arrange formal business negotiations with IEC regularly and request IEC to provide a cost list for its products (which includes names of products and costs of products (such as material fees and production fees)) so that the Company can examine and determine the prices of the products to be supplied by IEC to the Company under the New Supply Agreement.

In relation to the supply of engine parts and raw materials by the Company to IEC, prices of engine parts and raw materials shall also be determined based on the actual costs incurred plus a premium of not exceeding 10%. Nevertheless, the engine parts and raw materials to be supplied by the Company to IEC under the New Supply Agreement will be used by IEC for assembling and composing engine assemblies, and such engine assemblies will be subsequently sold back to the Company exclusively by IEC. As the engine assemblies will be sold back to the Company at actual costs incurred, which include costs of engine parts and raw materials purchased from the Company, plus a profit margin, such engine parts and raw materials will be sold by the Company to IEC at a low margin so as to lower the prices of the engine assemblies to be sold by IEC to the Company under the New Supply Agreement. Given that the profit margin charged to IEC for the sale of engine parts and raw materials by the Company to IEC under the New Supply Agreement will be set off by the additional cost charged to the Company for the sale of engine assemblies by IEC, the Company considered that it is commercially justifiable to sell the engine parts and raw materials under the New Supply Agreement to IEC, which will be solely used for assembling and composing engine assemblies for exclusive sale to the Company, with a low markup. If the engine parts and raw materials to be supplied by the Company to IEC under the New Supply Agreement are not used for assembling and composing engine assemblies which will be subsequently sold back to the Company exclusively, the Company will charge a profit margin based on normal commercial terms. During the years from 2020 to 2022, the Company sold engine parts and raw materials under the Supply Agreement to IEC at a premium ranging from approximately 0.1% to 5%, whilst it is expected that the Company will continue to charge IEC for the sale of any engine parts and raw materials under the New Supply Agreement at a premium of similar level for the three years ending 31 December 2025.

In addition, save for qingling motors outlets, the Company will not supply the engine parts and raw materials under the New Supply Agreement to any Independent Third Parties because such products are tailor-made for IEC and not for sale to other third parties. The Company will sell such engine parts and raw materials to qingling motors outlets, which are owned by Independent Third Parties, solely for the purposes of automobile maintenance and parts replacement. During the years from 2020 to 2022, the Company sold engine parts and raw materials under the Supply Agreement to qingling motors outlets at a profit margin ranging from approximately 5% to 20%, whilst it is expected that the Company will continue to charge qingling motors outlets for the sale of any engine parts and raw materials under the New Supply Agreement exclusively for the purposes of automobile maintenance and parts replacement at a profit margin of similar level for the three years ending 31 December 2025.

Based on the above factors, the pricing policy of the New Supply Agreement is considered to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Proposed annual caps

The proposed annual caps for the transactions contemplated under New Supply Agreement for the relevant years are as follows:

		Proposed annual caps (in RMB)		
		For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
(a)	Supply of engine parts and raw materials by the Company to IEC	935,790,000	1,147,960,000	1,478,380,000
(b)	Supply of engines and their parts by IEC to the Company	1,819,140,000	2,219,230,000	2,854,940,000

The Company will seek approval from the Independent Shareholders in respect of the entering into of the New Supply Agreement and the transactions contemplated thereunder as well as the aforesaid proposed annual caps.

Basis of proposed annual caps

The aforesaid proposed annual caps for the New Supply Agreement each represents the estimated transaction amounts in each relevant year in respect of each of (a) the supply of engine parts and raw materials by the Company to IEC; and (b) the supply of engines and their parts by IEC to the Company, and are determined with reference to (i) the production capacity of each car model of the Group; (ii) the expected sales volume of the Company during the term of the New Supply Agreement; and (iii) the aggregate supply and demand of IEC. Further details of the basis of the proposed annual caps are set out in the sub-section headed "Further details of the basis of the proposed annual caps" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 44 to 46 of this circular.

Reasons for entering into the New Supply Agreement

To enjoy the economies of scale, the business of the Group requires certain degree of division of labour among its members, with each Group member specialising in a particular area of business, such as production of engines, marketing, provision of repair and maintenance services, testing services, etc. IEC is principally engaged in the manufacturing and sales of vehicle-used engines and their parts. The Directors believe that supply of engines and their parts by IEC to the Company and the supply of engine parts and raw materials by the Company to IEC would facilitate the operation of the Group and minimise the costs of the Group in acquiring similar products from Independent Third Parties.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the consideration) of the New Supply Agreement are fair and reasonable and on normal commercial terms, and that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Internal control

The Company has implemented internal control measures to ensure that the transactions under the New Supply Agreement will be conducted in accordance with the terms of the New Supply Agreement, on normal commercial terms (or, where applicable, on terms no less favourable than terms available to Independent Third Parties), and in accordance with the pricing policy of the Company. With respect to the engines and their parts to be supplied by IEC to the Company, the Company will request IEC to supply the actual costs of the relevant products prior to the pricing of the transactions under the New Supply Agreement. Details of the internal control procedures are set out in the sub-section headed "Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 46 to 47 of this circular.

7. THE NEW SALES JV SUPPLY AGREEMENT

Date	:	30 December 2022
Parties	:	(i) The Company; and (ii) the Sales JV Company
Term	:	Subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM, from 1 January 2023 to 31 December 2025, and renewable upon expiry if agreed by all parties and (if necessary) having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules
Nature of the transaction	:	Supply of automobiles and their parts by the Company to the Sales JV Company
Price determination	:	At prices not lower than market prices or, if there are no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto

Pursuant to the New Sales JV Supply Agreement, the parties shall enter into separate definitive agreement(s) with detailed terms in relation to the supply of products in accordance with the underlying principles under the New Sales JV Supply Agreement. Such detailed terms shall include, but not limited to, order-making procedure policy, method of delivery, price, payment and settlement terms, quantity, standard of quality, inspection, product liability, liability for compensation and other terms and conditions in relation to the sale and purchase of specific types of products.

Should the Sales JV Company cease to be a connected person of the Company and the transactions under the New Sales JV Supply Agreement cease to be a continuing connected transaction of the Company, the Company is entitled to terminate the New Sales JV Supply Agreement by notifying the Sales JV Company in writing.

Historical transaction amounts

The actual amounts received by the Company in respect of the transactions under the Sales JV Supply Agreement for the relevant years and the corresponding annual caps for each such payments are as follows:

	Actual amount incurred (in RMB) *(Approximate)*			Annual caps (in RMB)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Sales JV Supply Agreement	15,500,000	13,290,000	7,260,000	170,030,000	254,510,000	320,990,000

None of the actual amounts incurred for the three years ended 31 December 2022 above exceeded their respective annual caps for the corresponding years.

Basis of consideration

The consideration payable by the Sales JV Company under the New Sales JV Supply Agreement will be determined after arm's length negotiations between the parties thereto with reference to the market prices of the automobiles or their parts to be supplied by the Company under the New Sales JV Supply Agreement. If there are no comparable market prices, the consideration shall be determined based on the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8% as agreed by the parties thereto, which was determined with reference to the statistics published in the China Automotive Industry Yearbook (2020 and 2021: the average profit margins for the PRC's automobile industry were 6.25% and 6.12%, respectively, and the average profit margins for the PRC's automobile parts industry were 6.52% and 6.25%, respectively).

The Company will regularly prepare and update a price list regarding the supply of automobiles and parts to its customers (including the Sales JV Company and other independent distributors of the Company) which will be approved by the management of the Company, and all sales transactions under the New Sales JV Supply Agreement will be carried out in accordance with the prices set out in the price list to ensure that the pricing terms are no less favourable than those offered by the Company to Independent Third Parties, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the New Sales JV Supply Agreement for the relevant years are as follows:

	Proposed annual caps (in RMB)		
	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
New Sales JV Supply Agreement	206,580,000	168,190,000	208,910,000

The Company will seek approval from the Independent Shareholders in respect of the entering into of the New Sales JV Supply Agreement and the transactions contemplated thereunder as well as the aforesaid proposed annual caps.

Basis of proposed annual caps

The aforesaid proposed annual caps for the New Sales JV Supply Agreement are determined with reference to (i) the sales capacity of the Group; (ii) the expected sales volume of the Company during the term of the New Sales JV Supply Agreement; and (iii) the prices of automobiles and their parts as well as transportation costs in the market and their price trends. Further details of the basis of the proposed annual caps are set out in the sub-section headed "Further details of the basis of the proposed annual caps" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 44 to 46 of this circular.

Reasons for entering into the New Sales JV Supply Agreement

To enjoy the economies of scale, the business of the Group requires certain degree of division of labour among its members, with each Group member specialising in a particular area of business, such as production of engines, marketing or provision of repair and maintenance services, testing services, etc. The Sales JV Company is principally engaged in the sales of vehicles, assemblies and repair parts and provision of after-sales services. By entering into the New Sales JV Supply Agreement with the Sales JV Company, the Group may benefit from good sales strategies, management skills and services trading ideas adopted by the Sales JV Company and to expand the market share of the Group's products.

The Directors (including the independent non-executive Directors) are of the view that the terms (including the consideration) of the New Sales JV Supply Agreement are fair and reasonable and on normal commercial terms, and that the relevant transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Internal control

The Company has implemented internal control measures to ensure that the transactions under the New Sales JV Supply Agreement will be conducted in accordance with the terms of the New Sales JV Supply Agreement, on normal commercial terms (or, where applicable, on terms no less favourable than terms available to Independent Third Parties), and in accordance with the pricing policy of the Company. Details of the internal control procedures are set out in the sub-section headed "Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions" under the section headed "Non-exempt Continuing Connected Transactions" in this letter from the Board on pages 46 to 47 of this circular.

Further details on the basis of the proposed annual caps of the Non-exempt Continuing Connected Transactions

In arriving at the proposed annual caps for each of the Non-exempt Continuing Connected Transactions, the Board has considered:

(1) the historical transaction amounts and considerations of the Former Continuing Connected Transactions while the Board is aware that such historical transaction amounts incurred under the Former Continuing Connected Transactions throughout the years 2020 to 2022 amidst the outbreak of the COVID-19 pandemic may not fully reflect the actual demand in vehicles, related parts, products and components in the corresponding years, taking into account that the negative impact of the outbreak of the COVID-19 pandemic, the anti-COVID restrictions and citywide lockdowns are unprecedented in nature;

(2) the manufacturing and/or sales plan of the respective counterparties to the Non-exempt CCT Agreements for the three years ending 31 December 2025; and

(3) the anticipated transaction amounts and prices of the products and/or services involved under the Non-exempt CCT Agreements for the three years ending 31 December 2025.

The Board has provided for an adjustment of the proposed annual caps for certain Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025 taking into account the following factors:

(1) the economy in the PRC is recovering gradually and the business and operation of the Group and the counterparties to the Non-exempt CCT Agreements are expected to resume to normal level in the coming three years ending 31 December 2025;

(2) demand for new energy vehicles (such as hydrogen-powered vehicles) is expected to gradually rise and such new energy vehicles are likely to become the mainstream of commercial vehicles for the three years ending 31 December 2025 under the influence of (a) enhanced requirements for environmental protection and energy saving and (b) new policies put forward by the PRC government from time to time;

(3) during the national sixth phase (國六時期), the attributes of high quality and low fuel consumption of the Company's products has enabled them to stand out in the market. Particularly, as middle body series of the Company's automobiles have been developed in addition to the traditional narrow and wide body series of the same, the variety of choices have brought along a relatively large increase in the demand for the Company's light trucks and such increasing trend is expected to continue for the three years ending 31 December 2025;

(4) the PRC has become the world's second largest automobile exporter, it is expected that exports of automobile will increase significantly in the future. In this relation, the Company has been working with its authorised export agents and the operation system of Isuzu to promote the overseas target market access certification, business flow, logistics and network system construction, which is expected to lead to an increase in the export volume for the three years ending 31 December 2025;

(5) the upgrade of the interior parts of the Company's automobile has led to an increase in value of individual automobile interior part; and

(6) to cater for the market demand on tailor-made products, the Company has continuously expanded its product technology platforms, enriched and widened its product spectrum and varieties.

As such, the Board has determined and adjusted the proposed annual caps for the three years ending 31 December 2025 for the relevant Non-exempt Continuing Connected Transactions accordingly, having considered the abovementioned factors.

Internal control procedures adopted by the Company for the carrying out of the Non-exempt Continuing Connected Transactions

The Company has adopted the following internal control measures and procedures to ensure that (i) the terms of the Non-exempt CCT Agreements are fair and reasonable, on normal commercial terms (or, where applicable, on terms no less favourable than those available to Independent Third Parties), and in accordance with the pricing policy of the Company; and (ii) the transactions are conducted in accordance with the terms of the Non-exempt CCT Agreements:

(1) the Company has adopted and implemented a management system on connected transactions. According to such system, the planning department of the Company is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and the Listing Rules of the Non-exempt CCT Agreements and the transactions contemplated thereunder. In addition, the finance department, procurement department and other relevant operation departments of the Company are jointly responsible for evaluating the terms of the Non-exempt CCT Agreements, in particular, the fairness and reasonableness of the pricing terms under each agreement; and

(2) the Independent Financial Adviser has reviewed the Non-exempt CCT Agreements pursuant to Chapter 14A of the Listing Rules. The independent non-executive Directors have also reviewed the Non-exempt CCT Agreements and will continue to review and monitor the Non-exempt Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the pricing and annual caps of the Non-exempt Continuing Connected Transactions.

For illustrative purpose, when determining the actual selling price of a part or product to be supplied to the Company under the Non-exempt CCT Agreements, the corresponding vendor will provide the Company with a proposed price. As mentioned above, in order to ensure that the pricing terms under the Non-exempt CCT Agreements are fair and reasonable, the Company's finance department and other relevant operation departments will review the proposed price provided by the vendor in the following manner:

(a) if comparable market price is available, the proposed price will be compared with the market price to ensure that such proposed price is not higher than the selling price of the part or product with similar specifications, technology and quality requirements, etc. provided by any other third party manufacturer or vendor in the market;

(b) if no comparable market price is available, whether or not the proposed price is fair and reasonable will be determined based on the total cost of the part or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the part or product; and (ii) the cost estimated to be required for manufacturing such part or product based on requirements in relation to the nature, functionality, technology and quality standards, etc., plus a profit margin of not more than the maximum profit margin level as stipulated under the relevant agreement, depending on the complexity of technologies and quality control procedures involved; and

(c) the proposed price will be further reviewed to ensure that it is in line with the pricing terms of the relevant agreement and, where applicable, the terms provided to the Company are no less favourable than those offered by the relevant vendor to an Independent Third Party.

In order to facilitate the abovementioned reviewing procedures, the planning department of the Company has a professional team which possesses market intelligence, knowledge and experience regarding the relevant technology, quality, pricing and profit margin level of different types of parts or products (including statistics obtained from the China Automotive Industry Yearbook). Meanwhile, with the assistance of the relevant procurement experience of its procurement department, the Company is able to gather information on market prices and profit margin levels of different parts and products as well as their raw materials in the industry through industrial associations and independent autoparts suppliers in the PRC, which could then be used by the Company for comparison.

INFORMATION ON THE COMPANY AND THE COUNTERPARTIES

The Company is principally engaged in the production and sales of Isuzu light, medium and heavy-duty trucks, pick-up trucks, automobile parts and accessories.

Isuzu is principally engaged in the production and sales of commercial vehicles and diesel engines.

Qingling Moulds is principally engaged in the manufacturing and sales of moulds.

Qingling Group is principally engaged in the manufacturing, sales and development of new products in relation to motor vehicles and their spare parts and accessories, and the provision of technical advisory services.

CQCC is principally engaged in the manufacturing and sales of automobile parts and components and cast parts.

CQFC is principally engaged in the manufacturing and sales of automobile parts and components and forging parts.

CQAC is principally engaged in the manufacturing and sales of motor vehicle axles and other parts and components.

CQNHK is principally engaged in the manufacturing and sales of motor vehicle seats, interior accessories and other seats.

CQPC is principally engaged in the manufacturing and sales of plastic automobile parts and other plastic parts and components.

CQACL is principally engaged in the manufacturing and sales of cast aluminum automobile parts and other cast aluminum parts and components.

QAC is principally engaged in the development, design, manufacturing, sales and providing technical services of automobile parts and components.

QM is principally engaged in the development, design, manufacturing, sales and providing services of automobile parts and components.

Qingling Zhuanyong is principally engaged in the development, design and manufacturing of various types of special vehicles, sales and providing services of automobile parts and components and providing technical services for special vehicles.

Keyu Autoparts is principally engaged in the manufacturing and sales of automobile parts and components, installation of retractors and lease of relevant machineries or sites.

CQVPM is principally engaged in the development, design, manufacturing, sales and providing services of vehicles, mechanical parts and components and exported parts and components.

Autoparts Manufacturing is principally engaged in the manufacturing and sales of automobile parts and components.

The Bosch JV Company is principally engaged in the research and development, production, sales and providing services of hydrogen-powered systems.

IEC is principally engaged in the manufacturing and sales of vehicle-used engines and their parts.

The Sales JV Company is principally engaged in the sales of vehicles, assemblies and the repair parts and providing after-sales services.

Yu Gao is principally engaged in the development of high-tech products, self-production and sales, provision of technical services, infrastructure construction such as energy and municipal transportation, real estate development and property management, etc..

IJTT is principally engaged in the manufacturing of transport equipment.

NHK is principally engaged in the manufacturing and sales of suspension springs, automatic car seats, precision springs, suspensions used for hard disk drive, mechanism parts used for hard disk drive and industrial parts.

Isuzu China is principally engaged in the investment in PRC's automobile industry, the purchase and export of goods within the PRC that do not involve export quotas or export licence management and the provision of consulting services related to investment activities to corporate investors, etc..

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Qingling Group is the controlling shareholder of the Company holding approximately 50.10% of the entire issued share capital of the Company and given that CQCC, CQFC, CQACL, CQAC, CQPC, CQNHK, QAC, QM, Qingling Zhuanyong, Keyu Autoparts, CQVPM, Autoparts Manufacturing and the Bosch JV Company are owned as to 75%, 75%, 72.43%, 80%, 75.15%, 55.8%, 100%, 100%, 100%, 100%, 75%, 100% and 40%, respectively by Qingling Group, they are associates of Qingling Group. Therefore, Qingling Group, CQCC, CQFC, CQACL, CQAC, CQPC, CQNHK, QAC, QM, Qingling Zhuanyong, Keyu Autoparts, CQVPM, Autoparts Manufacturing and the Bosch JV Company are all connected persons of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Isuzu is a substantial shareholder of the Company holding approximately 20% of the entire issued share capital of the Company and is a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the entering into of each of the New Chassis Supply Agreement, the New Parts Supply Agreements, the New QM Moulds Supply Agreement, the New Hydrogen-powered Modules Supply Agreement and the New Isuzu Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As illustrated above, as at the Latest Practicable Date, Qingling Group is the controlling shareholder of the Company, and Isuzu is a substantial shareholder of the Company, each of Qingling Group and Isuzu is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Sales JV Company is owned as to 50% and 50% by the Company and Isuzu, respectively, and IEC is owned as to 50.61%, 30.06% and 19.33% by Isuzu, Qingling Group and the Company, respectively. Consequently, each of IEC and the Sales JV Company is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of each of (i) the New Supply Agreement with IEC; and (ii) the New Sales JV Supply Agreement with the Sales JV Company constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions

As the applicable percentage ratios in respect of the proposed annual caps for the continuing connected transactions under (i) the New Chassis Supply Agreement; (ii) the New Parts Supply Agreements, when aggregated with one another in accordance with Rules 14A.81 to 14A.83 of the Listing Rules; (iii) the New QM Moulds Supply Agreement, when aggregated with the New Parts Supply Agreements in accordance with Rules 14A.81 to 14A.83 of the Listing Rules; (iv) the New Hydrogen-powered Modules Supply Agreement; (v) the New Isuzu Supply Agreement; (vi) the New Supply Agreement; and (vii) the New Sales JV Supply Agreement will be, on an annual basis, more than 5%, such continuing connected transactions are subject to reporting and announcement requirements set out in Rules 14A.49 and 14A.35, the annual review requirements set out in Rules 14A.55 and 14A.59 and also the Independent Shareholders' approval requirements set out in Rule 14A.36, of the Listing Rules.

In order to ensure compliance with the requirements of Chapter 14A of the Listing Rules, during the period from 1 January 2023 to the date when the Independent Shareholders' approval is obtained, the amounts payable by the parties to the Non-exempt CCT Agreements for the transactions contemplated thereunder are expected to fall below the de minimis threshold for the applicable percentage ratios as stipulated under Rule 14A.76(2) of the Listing Rules, therefore such transactions will be exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules and such information will be disclosed in the Company's poll results announcement to be published in respect of the EGM.

If the aggregate annual amount of each of the transactions contemplated under the Non-exempt CCT Agreements is likely to exceed the respective proposed annual caps provided in this circular pursuant to Chapter 14A of the Listing Rules or should there be any material change to the terms of any of the Non-exempt CCT Agreements, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

GENERAL

The Company will seek the approval of the Independent Shareholders in relation to, among others, the Non-exempt Continuing Connected Transactions. Ordinary resolutions will be proposed at the EGM to be voted by the Independent Shareholders by way of poll to approve the Non-exempt CCT Agreements, the Non-exempt Continuing Connected Transactions and their respective proposed annual caps. At the EGM, any Shareholder with a material interest in the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as set out in the ordinary resolutions is required to abstain from voting on the resolution approving the relevant Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions and related matters.

The Independent Board Committee has been formed to advise the Independent Shareholders as to, among other things, whether the terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM, taking into account the recommendations of the Independent Financial Adviser.

Crescendo Capital Limited has been appointed by the Company as its independent financial adviser to give recommendations to the Independent Board Committee and the Independent Shareholders as to, among other things, whether the terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM.

As at the Latest Practicable Date, Qingling Group is the controlling shareholder of the Company holding approximately 50.10% of the entire issued share capital of the Company. Qingling Group also holds as to 30.06% of IEC, 40% of the Bosch JV Company, 75% of CQCC, 75% of CQFC, 80% of CQAC, 72.43% of CQACL, 75.15% of CQPC, 55.8% of CQNHK and 100% of QM. In view of the aforesaid interest held by Qingling Group in the Company, IEC, the Bosch JV Company, the relevant Qingling Group Companies and QM respectively, Qingling Group and its associates will be required to abstain from voting on ordinary resolutions to be proposed at the EGM in respect of the New Chassis Supply Agreement, the New Parts Supply Agreements, the New QM Moulds Supply Agreement, the New Hydrogen-powered Modules Supply Agreement, the New Supply Agreement and their respective proposed annual caps.

As at the Latest Practicable Date, Isuzu is a substantial shareholder of the Company holding approximately 20% of the entire issued share capital of the Company. Isuzu also holds as to 50.61% of IEC and 50% of the Sales JV Company, while Isuzu and Isuzu China (being a wholly owned subsidiary of Isuzu) together hold approximately 21.54% of CQCC, 23.20% of CQFC, 20% of CQAC, 23% of CQACL, 19% of CQPC and 5% of CQNHK. In view of the aforesaid interest held by Isuzu and/or Isuzu China in the Company, IEC, the Sales JV Company and the relevant Qingling Group Companies respectively, Isuzu and its associates will be required to abstain from voting on ordinary resolutions to be proposed at the EGM in respect of the New Parts Supply Agreements, the New Isuzu Supply Agreement, the New Supply Agreement, the New Sales JV Supply Agreement and their respective proposed annual caps.

Mr. LUO Yuguang, an executive Director and the chairman of the Board, also being a director of Qingling Group, has abstained from voting on the resolutions in relation to the transactions contemplated under the relevant Non-exempt CCT Agreements to which any of Qingling Group and/or its associates is a party as proposed to the Board. Mr. KIJIMA Katsuya, an executive Director, holding 3,200 shares of Isuzu, representing approximately 0.0004% of the total number of issued shares of Isuzu as at the Latest Practicable Date, has abstained from voting on the resolutions in relation to the transactions contemplated under the relevant Non-exempt CCT Agreements to which any of Isuzu and/or its associates is a party as proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Non-exempt CCT Agreements and therefore none of them is required to abstain from voting on the relevant Board resolutions approving the same.

THE EGM

The relevant ordinary resolutions in relation to the Non-exempt CCT Agreements, the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps above are set out in the notice of the EGM on pages EGM-1 to EGM-6 of this circular. A reply slip and form of proxy for use at the EGM are enclosed in this circular.

The EGM will be held at the New Conference Hall of the Company, 1st Floor, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC on Wednesday, 31 May 2023 at 11:00 a.m. (or immediately after the conclusion of the annual general meeting to be convened and held on the same date at the same place).

The Articles provide that those Shareholders who intend to attend any Shareholders' general meeting of the Company shall send a written reply to the Company 20 days before the date of the meeting. In the case the written replies received from the Shareholders indicating that the number of Shares carrying voting rights represented by those Shareholders who intend to attend the general meeting is not more than one-half of the total number of Shares with voting rights, the Company shall within 5 days inform its Shareholders again in the form of a public notice the proposed matters for consideration at the meeting and the date and venue of the meeting. The Shareholders' general meeting may be convened after such notification has been published. In view of the above requirements in respect of the EGM convened by the notice of EGM, you are urged to complete and return the reply slip to the legal address of the Company at 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC by post, by cable or by fax (at fax no.: (86)23–68830397) on or before Thursday, 11 May 2023 whether or not you intend to attend the EGM.

If you do not intend or are not able to attend the EGM and intend to appoint a proxy to attend and vote on behalf of you, you are requested to complete and return as soon as possible the form of proxy to the legal address of the Company at 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC (in the case of proxy form of holders of Domestic Shares) or the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the case of proxy form of holders of H Shares) in accordance with the instructions printed thereon, in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and the Company will announce the results of the poll in the manner prescribed under Rules 13.39(5) and 13.39(5A) of the Listing Rules.

RECOMMENDATION

The Independent Board Committee, having taken into account the recommendations from Crescendo Capital Limited, the Independent Financial Adviser, considers that the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned, and such transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable and on normal commercial terms, and such transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 54 to 55 of this circular containing the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps and the letter from the Independent Financial Adviser set out on pages 56 to 98 of this circular containing its recommendations to the Independent Board Committee and the Independent Shareholders in connection with the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps, together with the principal factors and reasons considered by them in arriving at such recommendations.

Yours faithfully,
For and on behalf of the Board of
Qingling Motors Co. Ltd
LUO Yuguang
Executive Director and Chairman

慶鈴汽車股份有限公司
QINGLING MOTORS CO. LTD

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1122)

The Independent Board Committee:

Mr. LONG Tao
Mr. SONG Xiaojiang
Mr. LIU Tianni
Mr. LIU Erh Fei

31 March 2023

To the Independent Shareholders:

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to its shareholders dated 31 March 2023 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them in the section headed "Definitions" of the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned, whether such transactions are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions to be proposed at the EGM.

Having taken into account the recommendations from Crescendo Capital Limited, the Independent Financial Adviser, and, in particular, the principal factors and reasons considered by the Independent Financial Advisers as set out in the letter from the Independent Financial Adviser, we consider that the terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned, such transactions are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions as well as their respective proposed annual caps.

The letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and the Independent Shareholders, and the principal factors and reasons taken into account by the Independent Financial Adviser in arriving at such recommendations is set out on pages 56 to 98 of the Circular.

Yours faithfully,
The Independent Board Committee of
Qingling Motors Co. Ltd
Mr. LONG Tao, Mr. SONG Xiaojiang,
Mr. LIU Tianni, Mr. LIU Erh Fei
Independent non-executive Directors

The following is the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt CCT Agreements, the Non-exempt Continuing Connected Transactions and their respective proposed annual caps, which has been prepared for the purpose of inclusion in this circular.

1105 Tai Tung Building
8 Fleming Road
Wanchai, Hong Kong

31 March 2023

Qingling Motors Co. Ltd
1 Xiexing Cun
Zhongliangshan
Jiulongpo District
Chongqing
The People's Republic of China

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions contemplated under the New Chassis Supply Agreement, the New Parts Supply Agreements, the New QM Moulds Supply Agreement, the New Hydrogen-powered Modules Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Sales JV Supply Agreement, details of which are set out in the "Letter from the Board" contained in the circular dated 31 March 2023 to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 30 December 2022, the Company entered into various agreements with Qingling Group, CQACL, CQCC, CQFC, CQAC, CQNHK, CQPC, QM, Bosch JV Company, Isuzu, IEC and Sales JV Company (collectively, the "**Connected Persons**") respectively in relation to (i) the provision of automobile chassis and related components, parts of engines and raw materials, automobiles and their parts, consolidated services and lease of machineries by the Company to the respective Connected Persons; and (ii) the provision of automobile parts and other parts and components, moulds and related products and maintenance and processing services, hydrogen-powered modules and engines and their parts by the respective Connected Persons to the Group, for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon the obtaining of the approval by the Independent Shareholders at the EGM.

As at the Latest Practicable Date, Qingling Group was a controlling Shareholder holding approximately 50.10% of the entire issued share capital of the Company, and IEC, Bosch JV Company, CQCC, CQFC, CQAC, CQACL, CQPC, CQNHK, QM, QAC, Qingling Zhuanyong, Keyu Autoparts, CQVPM and Autoparts Manufacturing were owned as to 30.06%, 40.00%, 75.00%, 75.00%, 80.00%, 72.43%, 75.15%, 55.80%, 100.00%, 100.00%, 100.00%, 100.00%, 75.00% and 100.00% respectively by Qingling Group and were associates of Qingling Group. Furthermore, Isuzu was a substantial Shareholder holding approximately 20.00% of the entire issued share capital of the Company as at the Latest Practicable Date, and IEC was owned as to 50.61% by Isuzu, 30.06% by the Qingling Group and 19.33% by the Company while Sales JV Company was owned as to 50.00% by the Company and 50.00% by Isuzu. Meanwhile, Isuzu and Isuzu China (being a wholly-owned subsidiary of Isuzu) together held approximately 21.54% of CQCC, 23.20% of CQFC, 20.00% of CQAC, 23.00% of CQACL, 19.00% of CQPC and 5.00% of CQNHK. Accordingly, Qingling Group, IEC, Bosch JV Company, CQCC, CQFC, CQAC, CQACL, CQPC, CQNHK, QM, QAC, Qingling Zhuanyong, Keyu Autoparts, CQVPM, Autoparts Manufacturing, Isuzu, IEC and Sales JV Company are all connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of each of the New Chassis Supply Agreement, the New Parts Supply Agreements, the New QM Moulds Supply Agreement, the New Hydrogen-powered Modules Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Sales JV Supply Agreement constitutes continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the continuing connected transactions contemplated under (i) the New Chassis Supply Agreement; (ii) the New Parts Supply Agreements, when aggregated with one another in accordance with Rules 14A.81 to 14A.83 of the Listing Rules; (iii) the New QM Moulds Supply Agreement, when aggregated with the New Parts Supply Agreements in accordance with Rules 14A.81 to 14A.83 of the Listing Rules; (iv) the New Hydrogen-powered Modules Supply Agreement; (v) the New Isuzu Supply Agreement; (vi) the New Supply Agreement; and (vii) the New Sales JV Supply Agreement will be, on an annual basis, more than 5%, such continuing connected transactions are subject to reporting and announcement requirements set out in Rules 14A.49 and 14A.35 of the Listing Rules, the annual review requirements set out in Rules 14A.55 and 14A.59 of the Listing Rules and also the Independent Shareholders' approval requirements set out in Rule 14A.36 of the Listing Rules.

In accordance with the Listing Rules, Qingling Group and its associates are required to abstain from voting on the ordinary resolutions to be proposed at the EGM in respect of the New Chassis Supply Agreement, the New Parts Supply Agreements, the New QM Moulds Supply Agreement, the New Hydrogen-powered Modules Supply Agreement, the New Supply Agreement and their respective proposed annual caps while Isuzu and its associates are required to abstain from voting on the ordinary resolutions to be proposed at the EGM in respect of the New Parts Supply Agreements, the New Isuzu Supply Agreement, the New Supply Agreement, the New Sales JV Supply Agreement and their respective proposed annual caps.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Long Tao, Mr. Song Xiaojiang, Mr. Liu Tianni and Mr. Liu Erh Fei, has been established to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, and whether the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We, Crescendo Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards and how to vote on the resolutions in relation to the Non-exempt CCT Agreements, the Non-exempt Continuing Connected Transactions and their respective proposed annual caps to be proposed at the EGM.

We are not associated with the Group and its associates and do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group. Save for acting as an independent financial adviser in this appointment, we have not acted as a financial adviser or an independent financial adviser to the Company in the past two years. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Group and its associates. We were not aware of any relationship or interest between us and the Company or any other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Board Committee and the Independent Shareholders and we are independent of the Company pursuant to the requirements under Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the EGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purposes of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Non-exempt CCT Agreements. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Non-exempt Continuing Connected Transactions, we have considered the following principal factors and reasons:

1. Background and reasons for the Non-exempt Continuing Connected Transactions

(a) Background of the parties to the Non-exempt CCT Agreements

The Group is principally engaged in the production and sale of Isuzu light, medium and heavy-duty trucks, pick-up trucks, automobile parts and accessories.

Isuzu, a substantial Shareholder holding approximately 20.00% of the entire issued share capital of the Company, is principally engaged in the production and sale of commercial vehicles and diesel engines.

Qingling Group, a controlling Shareholder holding approximately 50.10% of the entire issued share capital of the Company, is principally engaged in the manufacturing, sales and development of new products in relation to motor vehicles and their spare parts and accessories, and the provision of technical advisory services.

CQCC, CQFC, CQAC, CQNHK, CQPC, CQACL, Autoparts Manufacturing and Keyu Autoparts, associates of Qingling Group, are principally engaged in the manufacturing and sale of (i) automobile parts and components and cast parts; (ii) automobile parts and components and forging parts; (iii) motor vehicle axles and other parts and components; (iv) motor vehicle seats, interior accessories and other seats; (v) plastic automobile parts and other plastic parts components; (vi) cast aluminum automobile parts and other cast aluminum parts and components; (vii) automobile parts and components; and (viii) automobile parts and components, installation of retractors and lease of relevant machinery or sites, respectively.

QAC, QM and CQVPM, associates of Qingling Group, are principally engaged in the development, design, manufacturing, sales and the provision of (i) technical services of automobile parts and components; (ii) services of automobile parts and components; and (iii) services of vehicles, mechanical parts and components and exported parts and components, respectively.

Qingling Zhuanyong, an associate of Qingling Group, is principally engaged in the development, design and manufacturing of various types of special vehicles, sales and providing services of automobile parts and components and providing technical services for special vehicles.

Bosch JV Company, an associate of Qingling Group, is principally engaged in the research and development, production, sales and provision of services related to hydrogen-powered systems.

Qingling Moulds is a sino-foreign joint venture company established in the PRC which is owned as to 50.56% by the Company and 49.44% by Isuzu. It is principally engaged in the manufacturing and sales of moulds.

IEC is a sino-foreign equity joint venture company established in the PRC which is owned as to 19.33% by the Company, 30.06% by the Qingling Group and 50.61% by Isuzu. It is principally engaged in the manufacturing and sale of vehicle-used engines and their parts.

Sales JV Company is a sino-foreign equity joint venture company established in the PRC which is owned as to 50.00% by the Company and 50.00% by Isuzu. It is principally engaged in the sales of vehicles, assemblies and repair parts and the provision of after-sales services, etc..

(b) Background of the Non-exempt Continuing Connected Transactions

The Group has been purchasing various automobile parts and other parts and components, hydrogen-powered modules and engine and their parts from Qingling Group, CQACL, CQCC, CQFC, CQAC, CQNHK, CQPC, Bosch JV Company, Isuzu and IEC, and supplying automobile chassis and related components to Qingling Group, various parts of engines and raw materials to IEC and automobiles and their parts to Sales JV Company under the Chassis Supply Agreement, the Parts Supply Agreements, the Hydrogen-powered Modules Supply Agreement, the Isuzu Supply Agreement, the Supply Agreement and the Sales JV Supply Agreement. The above-mentioned agreements expired on 31 December 2022 and the Directors envisaged that the Group would continue such transactions on an on-going basis after the expiry of the agreements. As such, the Company entered into the New Chassis Supply Agreement with Qingling Group, the New Parts Supply Agreements (which comprises the New Qingling Group Agreement, the New CQACL Agreement, the New CQCC Agreement, the New CQFC Agreement, the New CQAC Agreement, the New CQNHK Agreement and the New CQPC Agreement) with Qingling Group, CQACL, CQCC, CQFC, CQAC, CQNHK and CQPC respectively, the New Hydrogen-powered Modules Supply Agreement with Bosch JV Company, the New Isuzu Supply Agreement with Isuzu, the New Supply Agreement with IEC and the New Sales JV Supply Agreement with Sales JV Company, on 30 December 2022.

(c) Reasons for entering into the New Chassis Supply Agreement, the New Parts Supply Agreements and the New Isuzu Supply Agreement

The vehicles manufactured by the Group are mainly sold under the brand name of "Isuzu" and the automobile parts and components used therein must meet the "Isuzu" standard. We were advised by the management of the Company that the Company is the only enterprise in the PRC engaging in the manufacturing of commercial vehicles under the brand name of Isuzu. The Company and relevant Connected Persons are responsible for assembling certain parts of vehicles based on the product drawings, technology specifications and quality standards given or confirmed by Isuzu under its guidance. Without the authorities and technical know-how given by Isuzu or the Company, Independent Third Parties are unable to produce relevant parts that meet the quality standards of Isuzu. The Company and the relevant Connected Persons have already obtained the relevant authorization for the production of automobile parts and components that meet the quality standards of Isuzu. The Directors believe that the other suppliers do not possess such technical know-how and specific equipment that Isuzu has, and that even if the other suppliers may manufacture parts according to the same specifications, the quality of their products may not conform with the standards of Isuzu. Therefore, the Company has not looked for other sources of supply and has been purchasing various automobile parts and components specified under the New Parts Supply Agreements and the New Isuzu Supply Agreement including, but not limited to, (i) stamping components, compartments, machining components and other parts and components; (ii) aluminum parts and other parts and components; (iii) cast parts of engine cylinder blocks, cylinder heads and main bearing covers and other parts and components; (iv) raw casts of engine crankshafts and connecting rods and other parts and components; (v) front and rear motor vehicle axles and other parts and components; (vi) motor vehicle seats and other parts and components; (vii) plastic parts and other parts and components; and (viii) automobile parts for vehicle assembly, from the respective Connected Persons, which are specialized in the production and sale of the relevant parts and products specified under the New Parts Supply Agreements and the New Isuzu Supply Agreement.

In addition, the Company has been selling automobile chassis and related components specified under the New Chassis Supply Agreement to Qingling Group for its manufacturing of modified vehicles (including but not limited to automobiles for transportation and cold-storage vehicles) for a considerable time. Furthermore, the Group has agreed to provide the consolidated services under the New CQFC Agreement to CQFC such as (i) water, electricity and gas supply services; (ii) equipment repair technical services (including the Three Warranties); (iii) medical and hygiene services; and (iv) telephone services for its regular operations. Meanwhile, in order to better utilize the resources of the Group and centralize its management, the Group has agreed to lease the machinery to CQAC under the New CQAC Agreement for CQAC's production and testing of front and rear motor vehicle axles, which will then be provided by CQAC to the Company.

Having considered that:

(i) the Group needs to purchase various automobile parts and components and products specified under the New Parts Supply Agreements and the New Isuzu Supply Agreement for its daily operation of manufacturing various types of vehicles from time to time;

(ii) Qingling Group, CQACL, CQCC, CQFC, CQAC, CQNHK, CQPC and Isuzu are specialized in the production and sale of the products specified under the New Parts Supply Agreements and the New Isuzu Supply Agreement;

(iii) a majority of the vehicles manufactured by the Group are under the brand name of "Isuzu" and the automobile parts and components used by the Company must meet the "Isuzu" standard;

(iv) each of the relevant Connected Persons has obtained the technology know-how and specific equipment from Isuzu, and demonstrated with track records of being a reliable supplier and capable of manufacturing high-quality products in accordance with the specifications of the Company;

(v) other suppliers do not possess the distinctive technical know-how and specific equipment of Isuzu and thus their products may not meet the requirements and quality standards of Isuzu even though they may be capable of manufacturing similar parts;

(vi) the Company is specialized in the production and sale of automobile chassis and related components to vehicle refitting manufacturers. The supply of automobile chassis and related components to Qingling Group can expand the chassis production business of the Company and increase the turnover, sales volume and market share of the Company's chassis production business; and

(vii) the provision of consolidated services and lease of machinery by the Group to CQFC and CQAC respectively can utilize the Group's resources more effectively and generate additional income for the Group,

we concur with the view of the Directors that it is reasonable for the Company to continue to source the products from the respective Connected Persons and to supply the products and/or provide relevant services to the respective Qingling Group Companies, and the transactions contemplated under the New Chassis Supply Agreement, the New Parts Supply Agreements and the New Isuzu Supply Agreement are normal commercial transactions to be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(d) Reasons for entering into the New QM Moulds Supply Agreement

QM is a company principally engaged in the development, design, manufacturing, sales and the provision of services of automobile parts and components, including moulds and related products and services. As QM is able to supply products that meet the "Isuzu" standard, Qingling Moulds would like to have QM as one of its suppliers of the products under the New QM Moulds Supply Agreement for its daily operation.

Given that (i) the Group needs to purchase moulds and related products and services under the New QM Moulds Supply Agreement for its daily operation of manufacturing various types of vehicles from time to time; (ii) QM is specialized in the production and sale of the products specified under the New QM Moulds Supply Agreement and is capable of manufacturing products in accordance with the specifications of the Group and meet the "Isuzu" standard; and (iii) the Group is not compulsory to purchase from QM while the Group can choose QM as its supplier of moulds and related products and services if and when appropriate, we concur with the view of the Directors that it is reasonable for Qingling Moulds to enter into the New QM Moulds Supply Agreement with QM, and the transactions contemplated thereunder are normal commercial transactions to be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(e) Reasons for entering into the New Hydrogen-powered Modules Supply Agreement

According to the "Guiding Opinions for the Development of Hydrogen Fuel Cell Vehicles Industry" (氫燃料電池汽車產業發展指導意見) issued by the Chongqing municipal government, the number of hydrogen fuel cell vehicles used in regional public transportation, logistics and other fields targeted to reach 1,500 by 2025. Moreover, the Jiulongpo district government of the Chongqing municipality also proposed a plan to build hydrogen energy technology industrial parks in the western part of the PRC and create a hydrogen valley.

To proactively adapt to the new energy revolution and be in line with the transformation and development of the automotive industry and seize the relevant market opportunities in the PRC, the Company wishes to purchase hydrogen-powered modules from the Bosch JV Company for assembling hydrogen fuel cell commercial vehicles. Therefore, the parties entered into the New Hydrogen-powered Modules Supply Agreement.

We further understand from the management of the Company that Bosch JV Company, whose technology reaches the international advanced level, is able to provide hydrogen-powered modules that meet the Group's technical requirements and quality standards. Therefore, the Company intends to purchase the hydrogen-powered modules under the New Hydrogen-powered Modules Supply Agreement from Bosch JV Company.

Based on the above, we are of the view that it is reasonable for the Company to source the hydrogen-powered modules from Bosch JV Company if the terms of transactions offered to the Group are no less favorable than terms offered to Independent Third Parties in the market, and the transactions contemplated under the New Hydrogen-powered Modules Supply Agreement are normal commercial transactions to be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(f) Reasons for entering into the New Supply Agreement and the New Sales JV Supply Agreement

The Directors consider that specialization and division of labor among group members can increase the operational efficiency of the Group and minimize the costs of the Group through economy of scale.

IEC is principally engaged in the manufacturing and sale of vehicle-used engines and their parts while the Company focuses on the production and sale of vehicles and automobile parts. By entering into the New Supply Agreement, IEC can purchase engine parts and raw materials from the Company for assembling and composing engine assemblies while the Company in turn can secure the supply of engine assemblies and their parts from IEC for assembling and maintenance of automobiles.

Meanwhile, Sales JV Company is specialized in the sale, import and export, import and export agency and after-sales services of automobiles and parts and products under Isuzu brand (including Qingling brand registered by the Company) manufactured by the Company, sales of used automobiles (excluding brokerage business of used automobiles), automobile repair and maintenance equipment leasing, automobile marketing planning, automobile technology consultation, training service and operation services for dealers and automobile repair factories. By entering into the New Sales JV Supply Agreement, the Group shall provide automobiles and their parts to Sales JV Company for further distribution to the retail market. The Directors believe that the good sales strategies, management skills and services trading ideas adopted by Sales JV Company as well as the well-established sales channels of Sales JV Company can further enhance the sales volume and market share of the Group's products.

The Directors believe that the above arrangements for the division of labor would facilitate the operation of the Group and minimize the costs of the Group in acquiring similar products from Independent Third Parties. On the above basis, we concur with the view of the Directors that it is reasonable to enter into the New Supply Agreement and the New Sales JV Supply Agreement, and the transactions contemplated thereunder are normal commercial transactions to be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal Terms of the Non-exempt CCT Agreements and the Non-exempt Continuing Connected Transactions

(a) The New Chassis Supply Agreement

Pursuant to the New Chassis Supply Agreement, the Company agreed to supply automobile chassis and related components to Qingling Group and/or Qingling Zhuanyong for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM. The New Chassis Supply Agreement is renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary). Should Qingling Group cease to be a connected person of the Company and the transactions under the New Chassis Supply Agreement cease to be continuing connected transactions of the Company, the Company is entitled to terminate the New Chassis Supply Agreement by notifying Qingling Group in writing.

According to the New Chassis Supply Agreement, the price of products to be supplied by the Company thereunder shall be determined by reference to the market prices of the automobile chassis and related components and a credit term of 3 to 6 months after sales shall be provided to Qingling Group and/or Qingling Zhuanyong.

The New Chassis Supply Agreement is a master agreement that sets out the principles upon which detailed terms in relation to the supply of automobile chassis and related components by the Company to Qingling Group and/or Qingling Zhuanyong are to be determined. Under the New Chassis Supply Agreement, the parties shall enter into definitive agreements from time to time for detailed terms of every single transaction in accordance with the principles set out in the New Chassis Supply Agreement. Such detailed terms include, but are not limited to, prices, payment and settlement terms, quantities, standard of quality, inspection, product liability, liability for compensation and other terms and conditions in relation to the provision of the automobile chassis and related components.

The Company and Qingling Group agreed that such definitive agreements shall be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms fair and reasonable to the Company. Qingling Group and Qingling Zhuanyong have also undertaken that the terms offered to the Company shall be no less favorable than terms offered to Independent Third Parties in the market where Qingling Group operates.

We noted that the terms of the New Chassis Supply Agreement are more or less the same as those in the Chassis Supply Agreement. We were given to understand that the consideration of transactions under the Chassis Supply Agreement was set by the Board by reference to the market prices of the chassis and related components, and determined after arm's length negotiations between the parties thereto. As advised by the management of the Company, in determining the price of chassis and the relevant parts for transactions contemplated under the Chassis Supply Agreement, the Company would prepare, and update from time to time, a price list for products to be sold to Qingling Group and/or Qingling Zhuanyong by reference to (i) information on the market prices of chassis and related components with similar specifications, technology and quality requirements in the PRC automobile market; (ii) the Company's estimated production costs for the relevant products; and (iii) the prices of chassis supply transactions conducted by the Company with Independent Third Parties. The price list for transactions with Qingling Group and/or Qingling Zhuanyong would then be submitted to the Company's management for approval. The pricing terms of transactions under the Chassis Supply Agreement would follow the prices set out in the pre-approved price list and all invoices for transactions under the Chassis Supply Agreement would be audited by the Company's finance department to ensure that pricing terms were in line with the prices in the pre-approved price list.

We understand from the management of the Company that comparable transactions were available for reference for all transactions under the Chassis Supply Agreement conducted by the Company up to the Latest Practicable Date. The profit margin level of automobile chassis and related components supplied by the Company to Qingling Group and/or Qingling Zhuanyong under the Chassis Supply Agreement in the range of 3% to 5% for the three years ended 31 December 2022 was consistent with the profit margin level of the same type of products sold to Independent Third Parties.

We have reviewed 3 sets of sample documents regarding the above-mentioned pricing procedures of transactions under the Chassis Supply Agreement (each set of sample documents included invoices issued by the Company to Qingling Zhuanyong and the Independent Third Parties in relation to the sale of automobile chassis and related components and the price list applicable in the relevant time), which were randomly selected and covered 5 different product items and thus we considered are representative, and noted that the pricing procedures were properly followed by the Company and terms offered by the Company to Qingling Zhuanyong were similar and no less favorable than terms offered to the Independent Third Parties.

We were advised in the event that there was any transaction without sufficient comparable transactions, the Company would determine the prices of chassis and related components based on the principle of cost plus a profit margin. The underlying costs include raw materials, accessories, depreciation, salary, motion, cutters/tools, technological consumption, equipment maintenance, management fees and financial fees, etc. The profit margin would be determined by reference to the average profit margin of the relevant products in the market. The planning department of the Company would gather information on market prices and profit margin levels of chassis and related components in the industry through industrial associations and independent auto parts suppliers in the PRC. The professional technical team, which has market intelligence regarding technology, quality, pricing and profit margin levels of different types of automobile parts (including statistics obtained from the "China Automotive Industry Yearbook") and the pricing level of various automobile parts including the plastic parts, aluminum casting parts and forging parts in the industry, would also make a business judgment for, and provide professional advice to, the management of the Company to support their pricing negotiations with Qingling Group and/or Qingling Zhuanyong.

We were confirmed by the management of the Company that the same pricing policy and internal control policies would be applied by the Company for the pricing determination of transactions under the New Chassis Supply Agreement. Although the margin level for the Company is not fixed in the New Chassis Supply Agreement for transactions contemplated thereunder, we consider that the average profit margin of the relevant products in the market is an objective benchmark and pricing by reference to the prevailing average market rate is fair and reasonable. The absence of a cap on the profit margin to be charged by the Company is also in the interest of the Company as it shall enable the Company to adjust its profit margin in response to any significant market changes.

Given that (i) the pricing procedures of the products under the Chassis Supply Agreement have been properly implemented by the Company and shall be consistently applied for transactions under the New Chassis Supply Agreement; (ii) the terms of the transactions contemplated under the Chassis Supply Agreement offered by the Company to Qingling Group and/or Qingling Zhuanyong were similar and not less favorable to the Group than terms offered to the Independent Third Parties and such pricing policy shall be consistently applied for transactions under the New Chassis Supply Agreement; (iii) both the Company and Qingling Group have agreed that the terms of the New Chassis Supply Agreement, including selling price of the products to be supplied, shall be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms fair and reasonable to the Company; and (iv) Qingling Group has undertaken that the terms offered to the Company shall be no less favorable than terms offered to Independent Third Parties in the market where Qingling Group operates, we consider that the terms of the New Chassis Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(b) The New Parts Supply Agreements

Purchases of products by the Company

Pursuant to the New Parts Supply Agreements (which comprise the New Qingling Group Agreement, the New CQACL Agreement, the New CQCC Agreement, the New CQFC Agreement, the New CQAC Agreement, the New CQNHK Agreement and the New CQPC Agreement), the Company will purchase the following products from the respective Connected Persons for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM and shall be extended if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary):

(i) automobile parts including, but not limited to, stamping components, compartments, machining components and other parts and components from Qingling Group and its subsidiaries, including QM, Qingling Zhuanyong, QAC, Autoparts Manufacturing and Keyu Autoparts;

(ii) automobile parts including, but not limited to, cast aluminum parts and other relevant parts and components from CQACL;

(iii) automobile parts including, but not limited to, cast parts of engine cylinder blocks, cylinder heads and main bearing covers and other parts and components from CQCC and CQVPM, a subsidiary of CQCC;

(iv) automobile parts including, but not limited to, raw casts of engine crankshafts and connecting rods and other parts and components from CQFC;

(v) automobile parts including, but not limited to, front and rear motor vehicle axles and other parts and components from CQAC;

(vi) automobile parts including, but not limited to, motor vehicle seats and other parts and components from CQNHK; and

(vii) automobile parts including, but not limited to, plastic parts and other parts and components from CQPC.

The New Parts Supply Agreements are master agreements that set out the principles upon which detailed terms are to be determined between the Company and the respective Connected Persons. The parties shall enter into definitive agreements from time to time for detailed terms of every single transaction in accordance with the principles set out in the New Parts Supply Agreements. The prices of products to be supplied to the Company under the said agreements will be either: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%, and in any event, on terms no less favorable to the Company than those offered by the respective Connected Persons to Independent Third Parties. The considerations payable by the Company under the New Parts Supply Agreements were determined after arm's length negotiations between the parties and by reference to the historical transaction prices of the parts and statistics published in the "China Automotive Industry Yearbook", according to which the average profit margin of the automobile industry in the PRC was 6.25% in 2020 and 6.12% in 2021, whilst the average profit margin for automobile parts industry in the PRC was 6.52% in 2020 and 6.25% in 2021.

We were given to understand that the Company is currently the only enterprise in the PRC engaging in the manufacturing of commercial vehicles under the brand name of Isuzu, and the Company and Qingling Group Companies are responsible for assembling certain parts of vehicles based on the product drawings, technology specifications and quality standards given or confirmed by Isuzu under its guidance. Independent Third Parties without authorization and distinctive technical know-how and specific equipment given by Isuzu or the Company will not be able to produce the relevant parts that meet the quality standards of Isuzu. Therefore, most of the parts, such as cylinder blocks, cylinder heads, rod castings of engines and the specified axles, supplied to the Company by Qingling Group Companies for assembling Isuzu commercial vehicles have no comparable market prices. Accordingly, the prices of a majority of the products to be supplied to the Company under the New Parts Supply Agreement will be determined based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%, which is the maximum consideration to be payable by the Company under the New Parts Supply Agreements. The actual consideration to be payable by the Company will also be determined by reference to the prevailing market conditions, based on the nature, functionality, technology specifications and quality standards of different parts and in any event on terms no less favorable to the Company than terms offered to the Independent Third Parties.

In order to assess whether the price determination mechanism for the transactions without comparable market prices are fair and reasonable, we have reviewed the statistics published in China Automobile Industry Newsletter of Production and Sales issued by China Association of Automobile Manufacturers and noted that the profit margin of key enterprises in the PRC automobile industry for the eleven months ended 30 November 2022 was approximately 8.28%, which is higher than the maximum rate of 8% to be charged by the respective Qingling Group Companies under the New Parts Supply Agreements.

We understand from the management of the Company that in order to ensure the transactions under the New Parts Supply Agreements are on terms no less favorable to the Company than terms offered by the Qingling Group Companies to Independent Third Parties, the New Parts Supply Agreements specifically provide that the transactions contemplated thereunder to be on terms no less favorable to the Company than terms offered to Independent Third Parties. Besides, a professional technical team of the Company with knowledge of market intelligence regarding technology, quality, pricing and profit margin level of different types of automobile parts in the industry will make a business judgment for, and provide professional advice to, the Company when negotiating with the vendors over the price. The Company will also determine the price of certain parts and components by reference to the corresponding historical prices. The Company, when determining the prices of the automobile parts with the Qingling Group Companies, would request the Qingling Group Companies to minimize the effect of the increase in cost on the price of the parts as far as possible through technology and management advancement. As such, the Company expects the price of different parts will remain relatively stable as compared to the past three years. Moreover, the Qingling Group Companies regularly provide the Company with estimated costs of automobile parts supplied under the relevant agreements upon which the parties further negotiate to determine the prices of automobile parts with reference to the relevant industrial condition. The Company's access to the quarterly operation statements and audited annual financial statements of the Qingling Group Companies also enable the Company to know the actual profit margin level achieved by the Qingling Group Companies.

We have reviewed 25 samples of invoices issued by the Qingling Group Companies to the Company and estimated costs of automobile parts supplied under the Parts Supply Agreements provided by the Qingling Group Companies, which were randomly selected and covered 67 different product items and thus we considered are representative, and noted that the average profit margins of major products charged by the Qingling Group Companies were in the range of approximately -0.98% and 3.26%.

Having considered that (i) the actual average profit margins of major products charged by the Qingling Group Companies under the Parts Supply Agreements were lower than both the agreed maximum profit margin of 8% and the profit margin of key enterprises in the PRC automobile industry for the eleven months ended 30 November 2022; (ii) the profit margin of key enterprises in the PRC automobile industry for the eleven months ended 30 November 2022 of approximately 8.28% was higher than the maximum rate of 8% to be charged under the New Parts Supply Agreements; (iii) the profit margin of 8% under the New Parts Supply Agreements represents only the maximum rate that can be charged by the Qingling Group Companies and the actual profit margin to be charged to the Company will be dependent on the nature, technology specifications, quality standards of different parts and in any event not less favorable to the Company than those offered to any other Independent Third Party; and (iv) adequate measures have been implemented by the Company to ensure the terms offered by the Qingling Group Companies under the New Parts Supply Agreements are not less favorable to the Company than those offered to any other Independent Third Party, we consider that the terms of the New Parts Supply Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Provision of consolidated services by the Company to CQFC

Pursuant to the New CQFC Agreement, in addition to purchases of automobile parts from CQFC, the Company will also provide consolidated services, inter alia (i) water, electricity and gas supply services; (ii) equipment repair technical services; (iii) medical and hygiene services; and (iv) telephone services to CQFC at prices based on actual costs incurred plus value-added taxes payable pursuant to the relevant PRC tax laws for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM and shall be extended upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary). Should CQFC cease to be a connected person of the Company and the consolidated services transactions under the New CQFC Agreement cease to be continuing connected transactions for the Company, the Company is entitled to terminate the supply of consolidated services to CQFC by notifying CQFC in writing.

We were advised by the management of the Company that a pricing term of actual costs incurred plus taxes payable, instead of a term with profit margin, is adopted by the Company because the provision of consolidated services is not a core business of the Group and the projected transaction amounts for provision of consolidated services are relatively small. Based on the above and given that (i) CQFC requires the consolidated services for its daily operations and the costs of such services will affect CQFC's costs of production for parts to be supplied to the Company; (ii) the selling prices of automobile parts provided by CQFC to the Company are determined by reference to the actual costs incurred by CQFC plus a profit margin; and (iii) the provision of consolidated services by the Company to CQFC under zero profit margin can reduce the costs incurred by CQFC in its production of parts to be supplied to the Company, which in turn lower the Company's cost of purchase of automobile parts from CQFC, we concur with the Directors' view that it is commercially justifiable to provide the consolidated services to CQFC at zero profit margin.

We understand from the management of the Company that the Company has not provided any consolidated service to any Independent Third Party. As such, no transactions with Independent Third Parties can be referenced to. However, having considered the above-mentioned reasons for providing the consolidated services to CQFC at zero profit margin, we consider that the pricing policy in relation to the provision of consolidated service to CQFC is fair and reasonable so far as the Independent Shareholders are concerned.

Leasing of machinery by the Company to CQAC

Pursuant to the New CQAC Agreement, in addition to purchases of automobile parts from CQAC, the Company will also lease machinery to CQAC for its production and testing of front and rear automobile axles to be provided by CQAC to the Company for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM and shall be extended upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary). The annual rentals for leasing of machinery are RMB382,686 (exclusive of VAT) for the period from 1 January 2023 to 31 December 2025, which were determined based on normal commercial terms which are no less favourable than those offered by the Company to Independent Third Parties and having taken into account of the depreciation charge of the relevant machinery for the relevant year.

We understand from the management of the Company that the Company has not provided machinery leasing services to any Independent Third Party up to the Latest Practicable Date. Therefore, no transactions with Independent Third Parties can be referenced to. However, having considered that (i) the provision of machinery leasing service is not a core business of the Group; (ii) the purpose of the transactions is to facilitate the production of automobile axle by CQAC for the exclusive supply to the Company; (iii) the rental income can compensate the depreciation charges of the relevant machinery of the Company; and (iv) the leasing of machinery to CQAC shall enable the Company to fully utilize its resources while not causing any significant impact on the operation of the Company, we consider that the pricing policy in relation to the provision of machinery leasing service to CQAC is fair and reasonable so far as the Independent Shareholders are concerned.

(c) The New QM Moulds Supply Agreement

Pursuant to the New QM Moulds Supply Agreement, Qingling Moulds will purchase moulds and related products and the maintenance and processing services from QM for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM and shall be extended if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary):

The New QM Moulds Supply Agreement is a master agreement that sets out the principles upon which detailed terms are to be determined between Qingling Moulds and QM. The parties shall enter into definitive agreements from time to time for detailed terms of every single transaction in accordance with the principles set out in the New QM Moulds Supply Agreement. The prices of products/services to be supplied to Qingling Moulds under the New QM Moulds Supply Agreement will be either: (i) at prices not higher than market prices; or (ii) if no comparable market prices, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%, and in any event, on terms no less favorable to Qingling Moulds than those offered by QM to Independent Third Parties.

We were given to understand that no transactions have been carried out under the New QM Moulds Supply Agreement yet. The price of the products under the QM Moulds Supply Agreement will be determined with reference to the market prices by receiving quotations from three suppliers (including QM and Independent Third Parties) and award to the supplier offering the best available terms. In the event that no market prices can be determined, the prices of the products to be supplied under the New QM Moulds Supply Agreement will be determined based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%, which is the maximum consideration to be payable by Qingling Moulds the New QM Moulds Supply Agreement.

We have reviewed the statistics published in China Automobile Industry Newsletter of Production and Sales issued by China Association of Automobile Manufacturers and noted that the profit margin of key enterprises in the PRC automobile industry for the eleven months ended 30 November 2022 was approximately 8.28%, which is higher than the maximum rate of 8% to be charged by QM under the New QM Moulds Supply Agreement if there are no benchmark market prices.

Having considered that (i) the price of the products under the New QM Moulds Supply Agreement shall be determined after receiving quotations from three suppliers, including the independent suppliers; (ii) the profit margin of key enterprises in the PRC automobile industry for the eleven months ended 30 November 2022 of approximately 8.28% was higher than the maximum rate of 8% to be charged under the New QM Moulds Supply Agreement; and (iii) the profit margin of 8% under the New QM Moulds Supply Agreement represents only the maximum rate that can be charged by QM and the actual profit margin to be charged to the Company and Qingling Moulds will be dependent on the nature, technology specifications, quality standards of different parts and in any event not less favorable to Qingling Moulds than those offered to any other Independent Third Party, we consider that the terms of the New QM Moulds Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(d) The New Hydrogen-powered Modules Supply Agreement

Pursuant to the New Hydrogen-powered Modules Supply Agreement, Bosch JV Company agreed to supply hydrogen-powered modules to the Company for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM. The New Hydrogen-powered Modules Supply Agreement is renewable upon expiry if agreed upon by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary).

The New Hydrogen-powered Modules Supply Agreement is a master agreement that sets out the principles upon which detailed terms are to be determined between the Company and Bosch JV Company. The Company and Bosch JV Company shall enter into definitive agreements for detailed terms of every single transaction in accordance with the underlying principles set out in the New Hydrogen-powered Modules Supply Agreement. Such detailed terms include, but are not limited to, the quantity, standard of quality, price, payment terms and other terms and conditions in relation to the provision of hydrogen-powered modules. The Company and Bosch JV Company agreed that such detailed terms shall be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms fair and reasonable to the Company.

The prices shall be determined (i) on an arm's length basis; (ii) on normal commercial terms, with the selling prices arrived at after negotiations between the parties based on industry benchmark prices that reflect the quality of the relevant hydrogen-powered modules in a fair market; and (iii) in compliance with applicable laws, rules and regulations including, among others, the Listing Rules.

We were advised by the management of the Company that no hydrogen-powered modules have been purchased from the Independent Third Parties as, to the best knowledge of the Company, no Independent Third Parties in the PRC are capable of providing the modules that are required by the Company for assembling its hydrogen fuel cell vehicles. Therefore, no industry benchmark prices that reflect the quality of the relevant hydrogen-powered modules are currently available. For the year 2022, the prices of the hydrogen-powered modules per unit of power charged by Bosch JV Company to Independent Third Parties were in the range of approximately RMB6,000 per KW to RMB8,000 per KW. The prices of the hydrogen-powered modules under the New Hydrogen-powered Modules Supply Agreement were determined based on arm's length negotiations between the parties with reference to the prices of hydrogen-powered modules charged by Bosch JV Company to the Independent Third Parties and, in any event, on prices no less favourable than those charged by Bosch JV Company to Independent Third Parties from time to time in the coming three years ending 31 December 2025. We further understand from the management of the Company that at the time when the market of hydrogen-powered modules of specification and quality that are required by the Company becomes mature and the industry benchmark prices thereof are available, the Company will make reference to such industry benchmark prices by, among others, obtaining quotations from third party suppliers of hydrogen-powered modules of similar specification and quality from time to time for determining the prices of the products to be supplied by Bosch JV Company to the Company under the New Hydrogen-powered Modules Supply Agreement.

We have reviewed 6 samples of invoices issued by Bosch JV Company to the Company, which were randomly selected and covered 4 different items and thus we considered are representative, and compared to the invoices issued by Bosch JV Company to the Independent Third Parties in relation to the same item of hydrogen-powered modules. We noted that terms offered by Bosch JV Company to the Company were similar and no less favorable than terms offered to the Independent Third Parties.

We were confirmed by the management of the Company that the same pricing policy and internal control policies would be applied by the Company for pricing determination of transactions under the New Hydrogen-powered Modules Supply Agreement. Given that (i) the pricing procedures of the products under the Hydrogen-powered Modules Supply Agreement have been properly implemented by the Company and shall be consistently applied for transactions under the New Hydrogen-powered Modules Supply Agreement; and (ii) the terms of the transactions contemplated under the Hydrogen-powered Modules Supply Agreement offered by Bosch JV Company to the Company were similar and not less favorable to the Company than terms offered to the Independent Third Parties, we consider that the terms of the New Hydrogen-powered Modules Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(e) The New Isuzu Supply Agreement

Pursuant to the New Isuzu Supply Agreement, Isuzu agreed to supply automobile parts of ISUZU N Series, T Series, UC Series, F Series and other series to the Company for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM. The New Isuzu Supply Agreement is renewable upon expiry if agreed upon by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary). In the event that a competitor (including a potential competitor) of Isuzu holds Shares of a number equivalent to or more than that held by Isuzu or there is a change in control in Qingling Group, Isuzu may terminate the New Isuzu Supply Agreement by giving written notice to the Company. In addition, should Isuzu cease to be a connected person of the Company and the transactions under the New Isuzu Supply Agreement cease to be continuing connected transactions of the Company, the Company is entitled to terminate the New Isuzu Supply Agreement by notifying Isuzu in writing.

The New Isuzu Supply Agreement is a master agreement that sets out the principles upon which detailed terms are to be determined between the Company and Isuzu. The Company and Isuzu shall enter into definitive agreements for detailed terms of every single transaction in accordance with the underlying principles set out in the New Isuzu Supply Agreement. Such detailed terms include, but are not limited to, prices, payment and settlement terms, quantities, standard of quality, inspection, product liability, liability for compensation and other terms and conditions in relation to the provision of the automobile parts, components and/or accessories. The Company and Isuzu agreed that such detailed terms shall be on normal commercial terms or, if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms fair and reasonable to the Company. Isuzu has also undertaken that the terms offered to the Company shall be no less favorable than terms offered to Independent Third Parties in the market where the Company locates.

The pricing determination basis under the Isuzu Supply Agreement and the New Isuzu Supply Agreement is the same. We have discussed with the management of the Company regarding the basis of price determination for transactions with insufficient comparable transactions and were advised that the prices of products under the Isuzu Supply Agreement have been, and the prices of products under the New Isuzu Supply Agreement shall continue to be, determined by reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 10%, which was determined by reference to the statistics published in the "China Automotive Industry Yearbook", according to which the average profit margin of the automobile industry in the PRC was 6.25% in 2020 and 6.12% in 2021, whilst the average profit margin for automobile parts industry in the PRC was 6.52% in 2020 and 6.25% in 2021.

We were given to understand that there were no supplies of the products under the Isuzu Supply Agreement by independent suppliers in the PRC market because such products are of specific specifications and no authorizations have been given by Isuzu to Independent Third Parties in the market to produce such parts. As such, the Company could not compare the terms of transactions between the Company and Isuzu with those of the independent suppliers. Furthermore, no estimated costs of automobile parts and components supplied under the Isuzu Supply Agreement were given by Isuzu to the Company in writing. Given the above limitations, the Company has adopted alternative measures to ensure the terms offered to the Company for the transactions contemplated under the Isuzu Supply Agreement were fair and reasonable and no less favorable than terms offered by Isuzu to Independent Third Parties.

We understand from the management of the Company that monthly meetings between the Company and Isuzu were held, during which the Company and Isuzu would discuss the price of the products under the Isuzu Supply Agreement with reference to the cost information provided by Isuzu. However, due to confidentiality, the cost information was presented to the Company by Isuzu orally only and no written documents were provided. The Company would also compare the price of parts purchased from Isuzu with the market price of the same parts sold by Isuzu in the domestic market in Japan plus the estimated packaging and transportation fees to be incurred by Isuzu. Given that those imported automobile parts from Isuzu are sold to the Company exclusively in the PRC and no substitutes are available in the domestic market of the PRC, the Company considers that the selling price in Japan, together with certain additional fees (e.g. packaging and transportation fees), can serve as a reference to assess the reasonableness of the price charged by Isuzu although the market conditions in Japan and the PRC are different and a direct comparison between the selling prices of the two might not be appropriate in usual cases. The Company also assessed the selling price of the products under the Isuzu Supply Agreement with reference to the selling price of similar products in the PRC to ensure that the terms offered by Isuzu were fair and reasonable to the Company.

We noted that the maximum profit margin of 10% stipulated under the New Isuzu Supply Agreement is higher than the profit margin of the automobile industry and automobile parts industry in the PRC of 6.12% and 6.25%, respectively, in 2021 and the maximum profit margin that can be charged under the New Parts Supply Agreement of 8%.

We have reviewed the statistics published in China Automobile Industry Newsletter of Production and Sales issued by China Association of Automobile Manufacturers and noted that the profit margin of key enterprises in the PRC automobile industry for the eleven months ended 30 November 2022 was approximately 8.28%, which is also lower than the maximum rate of 10% to be charged under the New Isuzu Supply Agreement. However, given that (i) the Company is required to purchase the relevant automobile parts from Isuzu mandatorily in order to ensure that the vehicles produced and sold under the brand name of Isuzu reach the technology and performance standards of Isuzu and the automobile parts produced by Isuzu are exclusive and the technology and quality of its products are not available in the domestic market of the PRC; (ii) the products under the New Isuzu Supply Agreement are tailor-made and it is a generally acceptable market practice for the vendors to charge a higher premium for tailor-made products; (iii) the profit margin ceiling of the New Isuzu Supply Agreement represents only the maximum rate that can be charged and the actual rate to be charged will be finalised by both parties on the basis that it is fair and reasonable, and the Company and Isuzu all agreed in the contract that the actual selling price of the products to be supplied by Isuzu shall be on normal commercial terms and the terms offered to the Company shall be no less favorable than terms offered to any other Independent Third Party in the market where the Company locates; (iv) the nature, technical level required and the quality features of the products to be supplied under the New Isuzu Supply Agreement and New Parts Supply Agreement are different and thus variation in the profit margin for products under those agreements is reasonable and commercially justifiable; and (v) the New Isuzu Supply Agreement lasts for 3 years and the market rate of profit margin may fluctuate during the term of the New Isuzu Supply Agreement, the inclusion of a buffer in maximum rate of profit margin is reasonable to allow flexibility in price negotiation in response to market change, we consider that it is fair and reasonable to set the ceiling of the profit margin at 10%, although it is higher than the current average market rate and the maximum profit margin of 8% under the New Parts Supply Agreement. We also consider that the terms of the New Isuzu Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(f) The New Supply Agreement

Pursuant to the New Supply Agreement, the Company agreed to provide parts of engines and raw materials required for the manufacture of engines to IEC, and IEC agreed to provide the engine assemblies and their parts to the Company for assembling and maintenance of automobiles for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM. The New Supply Agreement is renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary). Should IEC cease to be a connected person of the Company and the transactions under the New Supply Agreement cease to be continuing connected transactions under the Listing Rules, the Company is entitled to terminate the New Supply Agreement by notifying IEC in writing.

The New Supply Agreement is a master agreement that sets out the principles upon which detailed terms are to be determined between the Company and IEC. The Company and IEC shall enter into definitive agreements for detailed terms of every single transaction in accordance with the underlying principles set out in the New Supply Agreement, including the order-making procedure, method of delivery, prices, payment and settlement terms, quantity, standard of quality, inspect of products, product liability, liability for compensation and other terms and conditions in relation to the supply and purchase of the specific type of products.

The pricing determination basis under the New Supply Agreement is the same as those stipulated in the Supply Agreement. We understand from the management of the Company that as there are insufficient comparable transactions, the prices of products under the Supply Agreement have been, and the prices of products under the New Supply Agreement shall continue to be, determined by reference to the actual costs of the supplying party plus a profit margin of not exceeding 10%, which was determined by reference to the statistics published in the "China Automotive Industry Yearbook", according to which the average profit margin of the automobile industry in the PRC was 6.25% in 2020 and 6.12% in 2021, whilst the average profit margin for automobile parts industry in the PRC was 6.52% in 2020 and 6.25% in 2021.

We were given to understand by the management of the Company that the Company has not supplied the engine parts and raw materials specified under the Supply Agreement to any Independent Third Party because such products are tailor-made for IEC and not for sale to other third parties, save for Qingling Motors Outlets, which sell automobiles manufactured by the Company in the PRC and are owned by Independent Third Parties. The engine parts and raw materials were sold to Qingling Motors Outlets solely for the purposes of automobile maintenance and parts replacement in the PRC market. Meanwhile, no Independent Third Parties supplied the engines and their parts under the Supply Agreement to the Company because such products were of specific specifications which were not available from other suppliers. As such, we are also unable to compare the terms of transactions between the Company and IEC with those of the independent suppliers.

We understand from the management of the Company that in order to ensure the terms offered to the Company for the transactions contemplated under the New Supply Agreement are no less favorable than terms offered by IEC to Independent Third Parties, the New Supply Agreement specifically provided that the actual selling price of the products to be supplied or purchased shall be the actual costs of the supplying party plus a profit margin of not exceeding 10% and that such profit margin shall be finalized by both parties on the basis that is fair and reasonable to both parties. The Company has regular and formal business negotiations with IEC, and requests IEC to provide a cost list for each of the parts it supplies so that the Company can assess and determine the price of such engine parts and raw materials.

We have reviewed (i) 3 sets of invoices issued by the Company to IEC and Qingling Motors Outlets respectively and the actual costs incurred by the Company for transactions under the Supply Agreement, which were randomly selected and covered 3 different product items and thus we considered are representative; and (ii) 10 samples of invoices issued by IEC to the Company and the estimated costs in relation to engines and their parts supplied by IEC under the Supply Agreement, which were randomly selected and covered 10 different product items and thus we considered are representative, and noted that (a) the prices charged by the Company to IEC were lower than those charged to Qingling Motors Outlets; and (b) the average profit margins of major products charged by the Company and IEC were approximately 0.10% and 1.42% respectively.

We were advised by the management of the Company that the engine parts and raw materials supplied by the Company to IEC under the Supply Agreement were used by IEC for assembling and composing engine assemblies, and such engine assemblies were subsequently sold back to the Company exclusively by IEC. As the engine assemblies will be sold back to the Company at actual costs incurred, which include costs of engine parts and raw materials purchased from the Company, plus a profit margin, the engine parts and raw materials were sold by the Company to IEC at a low margin so as to lower the prices of the engine assemblies to be sold by IEC to the Company. On the other hand, the Company charged a profit for the sale of engine parts and raw materials to Qingling Motors Outlets which used the engine parts and raw materials for the purposes of automobile maintenance and parts replacement in the PRC market only. Given that the profit margin charged to IEC for the sale of engine parts and raw materials by the Company to IEC will be set off by the additional cost charged to the Company for the sale of engine assemblies by IEC, we considered that it is commercially justifiable to sell the engine parts and raw materials under the Supply Agreement to IEC, which were solely used for assembling and composing engine assemblies for exclusive sale to the Company, with a low markup and such transactions were conducted in accordance with the terms of the Supply Agreement where the price was determined with reference to the actual costs incurred plus a profit margin of not more than 10% for the transactions contemplated under the Supply Agreement. The Company confirmed that if the engine parts and raw materials supplied by the Company to IEC are not used for assembling and composing engine assemblies which are subsequently sold back to the Company exclusively, the Company will charge a profit margin based on normal commercial terms.

We noted that the maximum profit margin of 10% stipulated under the New Supply Agreement is higher than the profit margin of the automobile industry and automobile parts industry in the PRC of 6.12% and 6.25% respectively in 2021 and the maximum profit margin that can be charged under the New Parts Supply Agreement of 8%. However, given that (i) the actual average profit margins of major products charged by the Company and IEC under the Supply Agreement were lower than the maximum profit margin of 10%; (ii) the actual average profit margin of major products charged by IEC under the Supply Agreement was lower than the average profit margin of key enterprises in the PRC automobile industry for the eleven months ended 30 November 2022 of 8.28%; (iii) the pricing policy applied to transactions under the Supply Agreement will continue to be consistently applied to transactions under the New Supply Agreement; (iv) the profit margin ceiling of the New Supply Agreement represents only the maximum rate that can be charged and the actual rate to be charged will be finalised by both parties on the basis that it is fair and reasonable; (v) production of engine assemblies, being the core parts of the Isuzu vehicles rather than merely a single parts, requires a higher technical level as compared to manufacturing of other general parts and therefore a higher profit margin for engine assemblies is commercially justifiable; (vi) the quality of the engine assemblies and parts provided by IEC are higher than the market level and such products are fully complied with the technology and standard as required for Isuzu vehicle; and (vii) both the Company and IEC are mutually bounded by the same terms on price determination for sale and purchase transactions under the New Supply Agreement, we consider that it is fair and reasonable to set the ceiling of the profit margin at 10% although it is higher than the current average market rate and the maximum profit margin of 8% under the New Parts Supply Agreement and the terms of the New Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(g) The New Sales JV Supply Agreement

Pursuant to the New Sales JV Supply Agreement, the Company agreed to provide automobiles and their parts to Sales JV Company for the period from 1 January 2023 to 31 December 2025, subject to and conditional upon approval by the Independent Shareholders at the EGM. The New Sales JV Supply Agreement is renewable upon expiry if agreed by all parties and having obtained the consent of the Stock Exchange and/or the approval of the Independent Shareholders in accordance with the requirements of the Listing Rules (if necessary). Should Sales JV Company cease to be a connected person of the Company and the transactions under the New Sales JV Supply Agreement cease to be continuing connected transactions of the Company, the Company is entitled to terminate the New Sales JV Supply Agreement by notifying Sales JV Company in writing.

The New Sales JV Supply Agreement is a master agreement that sets out the principles upon which detailed terms in relation to the supply of automobiles and their parts are to be determined between the Company and Sales JV Company. Under the New Sales JV Supply Agreement, the parties shall enter into a further specific agreement(s) with detailed terms in accordance with the underlying principles set out in the New Sales JV Supply Agreement specifying the order-making procedure, method of delivery, price, payment and settlement terms, quantity, standard of quality, delivery and inspection, product liability, liability for compensation and other terms and conditions in relation to the supply of the specific type of products.

Pursuant to the New Sales JV Supply Agreement, the actual selling prices of the automobiles or their parts to be supplied and other related terms in any further specific agreement shall not be lower than the market prices of the automobiles or their parts and shall not be lower than the prices offered to Independent Third Parties. If there are no comparable market prices, prices shall be based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%, which was determined by reference to the statistics published in the "China Automotive Industry Yearbook", according to which the average profit margin of the automobile industry in the PRC was 6.25% in 2020 and 6.12% in 2021, whilst the average profit margin for automobile parts industry in the PRC was 6.52% in 2020 and 6.25% in 2021. The terms of the New Sales JV Supply Agreement are more or less the same as those of the Sales JV Supply Agreement.

We understand from the management of the Company that a price list approved by the management of the Company regarding the supply of automobiles and parts to the customers (including Sales JV Company and other independent distributors of the Company) would be prepared and updated regularly. All sales transactions under the Sales JV Supply Agreement would be carried out in accordance with the prices on the price list.

We have also reviewed 5 sets of sample documents regarding the above-mentioned pricing procedures of transactions under the Sales JV Supply Agreement (each set of sample documents included invoices issued by the Company to Sales JV Company and other independent distributors of the Company in relation to the sale of automobiles and their parts and the prevailing price list at the relevant time), which were randomly selected and covered 5 different product items and thus we considered are representative, and noted that the pricing procedures were properly followed by the Company and terms offered by the Company to Sales JV Company were similar and not less favorable than terms offered to other independent distributors of the Company.

Given that (i) the terms of the transactions contemplated under the Sales JV Supply Agreement offered by the Company to Sales JV Company were similar and not less favorable than terms offered to other independent distributors of the Company; (ii) the pricing policy applied for transactions under the Sales JV Supply Agreement shall continue to be applied consistently to transactions under the New Sales JV Supply Agreement; (iii) the New Sales JV Supply Agreement specifically provided that the actual selling prices of the automobiles or their parts to be supplied shall not be lower than the market prices of the automobiles or their parts and shall not be lower than the prices offered to Independent Third Parties; and (iv) the profit margin ceiling of 8% for transactions under the New Sales JV Supply Agreement without comparable market prices exceeds the average profit margins of automobile industry in the PRC of 6.25% in 2020 and 6.12% in 2021, we consider that the terms of the New Sales JV Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

3. Annual caps for the Non-exempt Continuing Connected Transactions

(a) Historical transaction amounts and annual caps of the Non-exempt Continuing Connected Transactions

The historical transaction amounts of the Non-exempt Continuing Connected Transactions are set out as follows:

	Historical Transaction Amount *(RMB' million)*			
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	Compound annual growth rate
Chassis Supply Agreement	1,578.70	1,056.13	190.77	-65.2%
Qingling Group Agreement	28.59	68.30	106.35	92.9%
CQACL Agreement	9.91	9.74	4.61	-31.8%
CQCC Agreement	29.41	21.25	9.06	-44.5%
CQFC Agreement	35.49	35.08	18.09	-28.6%
CQAC Agreement	436.65	397.82	256.99	-23.3%
CQNHK Agreement	65.72	61.78	37.55	-24.4%
CQPC Agreement	60.37	69.66	44.01	-14.6%
Hydrogen-powered Modules Supply Agreement	–	53.76	146.00	171.6% *(Note)*
Isuzu Supply Agreement	288.97	154.85	54.61	-56.5%
Supply Agreement				
(a) the value of engines parts and raw materials supplied by the Company to IEC	633.45	387.41	193.19	-44.8%
(b) the value of engines and their parts supplied by IEC to the Company	1,179.32	960.76	655.19	-25.5%
Sales JV Supply Agreement	15.50	13.29	7.26	-31.6%

Note: Calculated based on the figure for the years ended 31 December 2021 and 31 December 2022.

The proposed annual caps for the three years ending 31 December 2025 in respect of the Non-exempt Continuing Connected Transactions (the "**Annual Caps**") are set out as follows:

	Annual Caps *(RMB' million)* For the year ending 31 December			
	2023	**2024**	**2025**	**Compound annual growth rate**
New Chassis Supply Agreement	357.76	384.61	474.64	15.2%
New Parts Supply Agreements	1,327.68	1,634.99	2,097.10	25.7%
– New Qingling Group Agreement	285.79	369.15	479.79	29.6%
– New CQACL Agreement	14.36	16.28	20.45	19.3%
– New CQCC Agreement	30.65	36.19	45.16	21.4%
– New CQFC Agreement				
(a) the value of automobile parts to be supplied by CQFC to the Company	42.05	45.87	56.16	15.6%
(b) the value of consolidated services to be provided by the Company to CQFC	3.09	3.53	4.41	19.5%
– New CQAC Agreement				
(a) the value of automobile parts to be supplied by CQAC to the Company	689.98	841.68	1,080.51	25.1%
(b) the value of machinery to be leased by the Company to CQAC	0.39	0.39	0.39	–
– New CQNHK Agreement	100.23	121.61	153.83	23.9%
– New CQPC Agreement	161.14	200.29	256.40	26.1%
New QM Moulds Supply Agreement	30.00	30.00	30.00	–
New Hydrogen-powered Modules Supply Agreement	486.36	495.45	880.80	34.6%

	Annual Caps (RMB' million) For the year ending 31 December			
	2023	2024	2025	Compound annual growth rate
New Isuzu Supply Agreement	299.71	431.79	589.14	40.2%
New Supply Agreement				
(a) the value of engine parts and raw materials to be supplied by the Company to IEC	935.79	1,147.96	1,478.38	25.7%
(b) the value of engines and their parts to be supplied by IEC to the Company	1,819.14	2,219.23	2,854.94	25.3%
New Sales JV Supply Agreement	206.58	168.19	208.91	0.6%

As shown in the above table, the proposed Annual Caps of the Non-exempt Continuing Connected Transactions (save for the value of machinery to be leased by the Company to CQAC under the New CQAC Agreement, the New QM Moulds Supply Agreement and the New Sales JV Supply Agreement) are expected to increase with a compound annual growth rate ranging from approximately 15.2% to 40.2% for the period from 2023 to 2025. To assess whether the Annual Caps are fair and reasonable, we have discussed with the management of the Company and reviewed the historical average costs/selling prices and quantity of products purchased/sold by the Group in relation to the Non-exempt Continuing Connected Transactions, the production plans of the Group and Qingling Group for the three years ending 31 December 2025 and the schedules of expected average costs/selling prices and the number of units to be purchased/sold by the Group in relation to the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2025, which were prepared and provided by the Company after discussions with the respective Connected Persons, and having considered the factors set out in the paragraphs below.

(b) Outlook of the commercial vehicle industry in the PRC

With reference to the latest statistics released by the National Bureau of Statistics of the PRC, the gross domestic product ("**GDP**") of the PRC for the year ended 31 December 2022 was approximately RMB121,020.7 billion, representing a growth rate of approximately 3.0% over the last year, and the national per capita disposable income was approximately RMB36,883 for the year ended 31 December 2022, representing a real growth of approximately 2.9% over the previous year. The OECD Economic Outlook, Volume 2022 Issue 2 released in November

2022 by the Organization for Economic Cooperation and Development, an international organization with 34 country members, revealed that the emergence of the omicron variant has led to recurring waves of lockdowns in 2022 and disrupted economic activities seriously. Rebalancing of demand towards consumption was holding back as a result of a pick-up in precautionary savings, spurred by low consumer confidence and inadequate social protection. Export growth was anticipated to remain low amid weaker global growth prospects before picking up in 2024. Despite fresh food prices rising recently, consumer price inflation was expected to remain benign due to the current measures to manage energy and food prices. It was expected that the GDP growth rates in the PRC for 2023 and 2024 would be 4.6% and 4.1% respectively.

According to the China Association of Automobile Manufacturers, for the year ended 31 December 2022, the production volume of commercial vehicles in the PRC was approximately 3.185 million units, representing a decrease of approximately 31.9% as compared to the previous year. Meanwhile, the sales volume of commercial vehicles in the PRC for the year was approximately 3.3 million units, representing a decrease of approximately 31.2% as compared to the last year. The overall demand for commercial vehicles has slowed down as the demand for commercial vehicles has overdraft due to the previously announced environmental protection and overloading control policies, coupled with the social restrictions implemented by the PRC government under the epidemic in 2022 led to the suspension of production. On the other hand, both the supply and demand of new energy commercial vehicles grew rapidly in 2022. The production volume of new energy commercial vehicles in the PRC for 2022 increased by approximately 81.5% to approximately 0.342 million units and the sales volume of new energy commercial vehicles in the PRC for 2022 also increased by approximately 78.9%, as compared to the previous year, to approximately 0.338 million units.

In view of the economic growth in the PRC and the ease of the epidemic in 2023 as well as the surge in demand for new energy commercial vehicles, the management of the Company expects that, in the absence of any unforeseeable adverse factors that may have a substantial negative impact on the economy of the PRC, the demand for commercial vehicles, as well as their components in the PRC, will rebound gradually in the foreseeable future.

(c) Annual Caps of the New Chassis Supply Agreement

The Annual Caps of the New Chassis Supply Agreement were set by the Board by reference to the actual transaction amounts under the Chassis Supply Agreement and the anticipated market demand in relation to the automobile chassis and related components for the term of the New Chassis Supply Agreement.

We noted that the historical transaction amount of the Chassis Supply Agreement decreased at a compound annual decline rate of approximately 65.2% during the three years ended 31 December 2022. We were advised by the management of the Company that such a reduction was mainly due to the decrease in demand for automobile chassis and related components from Qingling Group in view of the continuous outbreak of epidemics during the period and the downturn of the overall commercial vehicle industry in the PRC.

We have reviewed the calculation of the Annual Caps for the three years ending 31 December 2025 and noted that the Annual Cap for the year ending 31 December 2023 is much higher than the transaction amount for the year ended 31 December 2022. We were given to understand that in determining the Annual Cap for the year ending 31 December 2023, the Company has discussed with Qingling Group and considered, among others, the outlook of the commercial vehicle industry in the PRC, details of which are set out in the section headed "Outlook of the commercial vehicle industry in the PRC" above and considered that the commercial vehicle industry would increase in 2023 following the negative growth in 2022 in view of the ease of the epidemic recently and thus the demand of automobile chassis and related components from Qingling Group would increase substantially in 2023 as compared to 2022. The Company advised us that after the discussion with Qingling Group, the Company was given to understand that the chassis to be purchased by Qingling Group under the New Chassis Supply Agreement would be mainly used for its production of special-purpose vehicles. We have reviewed Qingling Group's production plan regarding special-purpose vehicles and noted that Qingling Group anticipated the production volume of its special-purpose vehicles would increase in the coming three years at a compound annual growth rate of approximately 13.6%, from 3,683 units for the year ending 31 December 2023 to 4,752 units for the year ending 31 December 2025, in view of the increasing demand of transportation and logistics services for internet trading. We have also reviewed the schedule of expected average selling prices and the number of units to be sold by the Group in relation to the transactions under the New Chassis Supply Agreement for the three years ending 31 December 2025 and noted that in order to meet its increasing production volume, Qingling Group has planned to increase the quantity of chassis to be purchased from the Group at a compound annual growth rate of approximately 13.6% from 3,680 units for the year ending 31 December 2023 to 4,750 units for the year ending 31 December 2025, the growth rate of which is similar to that of its scheduled production volume of special-purpose vehicles. Having taken into account the expected increase in demand for chassis for supporting the scheduled increase in production volume of special-purpose vehicles and a buffer for the fluctuations in price and product mix of chassis and related components to be ordered from the Group, Qingling Group's purchases of chassis from the Group is expected to increase with a compound annual growth rate of approximately 15.2% for the three years ending 31 December 2025.

Based on the above, we consider that the Annual Caps for the New Chassis Supply Agreement with a compound annual growth rate of approximately 15.2% proposed by the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(d) Annual Caps of the New Parts Supply Agreements, the New Isuzu Supply Agreement and the New Supply Agreement

The Annual Caps of the New Parts Supply Agreements were determined by reference to, among others, (i) the historical sales volume; (ii) the projected sales volume for the three years ending 31 December 2025; and (iii) the expected increase in the number of new vehicles of new models or different specifications to be launched and made available for sale by the Company.

The Annual Caps of the New Isuzu Supply Agreement were set by the Board by reference to (i) the historical sales volume; (ii) the projected sales volume for the three years ending 31 December 2025, taking into account, inter alia, the overall business environment and specific growth strategies of the Company; (iii) the number of new vehicles of new models or different specifications to be launched and made available for sale by the Company; and (iv) the expected expansion of sales network through distributors in the PRC.

The Annual Caps of the New Supply Agreement were determined by reference to (i) the production capacity of each car model of the Group; (ii) the expected sales volume of the Company for the three years ending 31 December 2025; and (iii) the aggregate supply and demand of IEC.

We have reviewed the schedules of expected average costs and the number of units to be purchased by the Group in relation to the transactions under the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement for the three years ending 31 December 2025 and noted that the Annual Cap for the year ending 31 December 2023 is much higher than the transaction amount for the year ended 31 December 2022. We were given to understand that in determining the Annual Cap for the year ending 31 December 2023, the Company has taken into account, among others, the outlook of the commercial vehicle industry in the PRC, details of which are set out in the section headed "Outlook of the commercial vehicle industry in the PRC" above, the expected growth in commercial vehicle industry in 2023 following the negative growth in 2022 and the ease of the epidemic in the PRC recently. Having considered the above, the Company expected that the number of vehicles to be sold by the Group would increase substantially in 2023 as compared to 2022, details of which are set out in the section headed "Projected sales volume of the Group's vehicles" below. We also noted that the Annual Caps for the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement in relation to the trading of automobile parts and components were projected to increase at a compound annual growth rate in the range of approximately 25.3% and 40.2% for the three years ending 31 December 2025 and such increases were mainly attributable to the expected increases in trading volume of the products under the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement.

The projected transaction amounts of the transactions under the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement for the three years ending 31 December 2025 are set out below:

	For the year ending 31 December			**Compound annual growth rate**
	2023	**2024**	**2025**	
New Qingling Group Agreement				
Quantity of vehicle body	13,123	17,137	22,540	31.1%
Average unit price *(approximately RMB)*	13,777	13,777	13,778	0.0%
Transaction amount of vehicle body *(RMB' million)*	180.80	236.09	310.55	31.1%
Quantity of other parts and components	566,590	712,998	924,625	27.7%
Average unit price *(approximately RMB)*	185	187	183	-0.6%
Transaction amount of other parts and components *(RMB' million)*	104.99	133.06	169.24	27.0%
Total transaction amount *(RMB' million)*	**285.79**	**369.15**	**479.79**	**29.6%**
New CQACL Agreement				
Quantity	65,000	72,000	88,800	16.9%
Average unit price *(approximately RMB)*	221	226	230	2.1%
Transaction amount *(RMB' million)*	**14.36**	**16.28**	**20.45**	**19.3%**

	For the year ending 31 December			Compound annual growth rate
	2023	**2024**	**2025**	
New CQCC Agreement				
Quantity	70,000	80,000	100,000	19.5%
Average unit price *(approximately RMB)*	438	452	452	1.6%
Total transaction amount *(RMB' million)*	**30.65**	**36.19**	**45.16**	**21.4%**
New CQFC Agreement				
Quantity	70,000	80,000	100,000	19.5%
Average unit price *(approximately RMB)*	601	573	562	-3.3%
Transaction amount *(RMB' million)*	**42.05**	**45.87**	**56.16**	**15.6%**
New CQAC Agreement				
Quantity	69,910	79,892	99,826	19.5%
Average unit price *(approximately RMB)*	9,870	10,535	10,824	4.7%
Transaction amount *(RMB' million)*	**689.98**	**841.68**	**1,080.51**	**25.1%**
New CQNHK Agreement				
Quantity	70,000	80,000	100,000	19.5%
Average unit price *(approximately RMB)*	1,432	1,520	1,538	3.7%
Transaction amount *(RMB' million)*	**100.23**	**121.61**	**153.83**	**23.9%**
New CQPC Agreement				
Quantity	70,000	80,000	100,000	19.5%
Average unit price *(approximately RMB)*	2,302	2,504	2,564	5.5%
Transaction amount *(RMB' million)*	**161.14**	**200.29**	**256.40**	**26.1%**

	For the year ending 31 December			Compound annual
	2023	**2024**	**2025**	**growth rate**
New Isuzu Supply Agreement				
Quantity	70,000	80,000	100,000	19.5%
Average unit price *(approximately RMB)*	4,282	5,397	5,891	17.3%
Transaction amount *(RMB' million)*	**299.71**	**431.79**	**589.14**	**40.2%**
New Supply Agreement				
– engine parts and raw materials to be supplied by the Company to IEC				
Quantity	70,000	80,000	100,000	19.5%
Average unit price *(approximately RMB)*	13,368	14,350	14,784	5.2%
Transaction amount *(RMB' million)*	**935.79**	**1,147.96**	**1,478.38**	**25.7%**
New Supply Agreement				
– engines and their parts to be supplied by IEC to the Company				
Quantity	70,000	80,000	100,000	19.5%
Average unit price *(approximately RMB)*	25,988	27,740	28,549	4.8%
Transaction amount *(RMB' million)*	**1,819.14**	**2,219.23**	**2,854.94**	**25.3%**

We noted from the schedules prepared by the Company that the compound annual growth rates in relation to the projected average prices of the products under the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement were projected in the range from approximately -3.3% to 17.3%. We understand from the management of the Company that the costs of parts and components are expected to be relatively stable in the coming years and shall be maintained at a level similar to the existing prices as the Company would request the Connected Persons to minimize the effect of the increase in cost on the price of the parts as far as possible through technology and management advancement. The changes in the average prices of the products during the three years ending 31 December 2025 were mainly due to the expected changes in the product mix of parts and components to be purchased by the Group. The Directors consider that the growth rates in the Annual Caps are reasonable, having taken into account the historical transaction amounts and the projected sales volume of the Group's vehicles, details of which are set out below.

(i) Historical transaction amounts for the Parts Supply Agreements, the Isuzu Supply Agreement and the Supply Agreement

We noted that, save for the transactions under the Qingling Group Agreement which recorded a compound annual growth rate of approximately 92.9%, the transaction amounts for the transactions under the Parts Supply Agreement (except for the Qingling Group Agreement), the Isuzu Supply Agreement and the Supply Agreement decreased with a compound annual decline rate ranging from approximately 14.6% to 56.5% during the past three years. We were advised by the management of the Company that the reduction in transaction amounts for the Parts Supply Agreements (except for the Qingling Group Agreement), the Isuzu Supply Agreement and the Supply Agreement was mainly attributable to the drop in the Group's sales volume of vehicles during the period from 2020 to 2022 resulting from the overall decline in the commercial vehicles industry in the PRC, the repeated outbreaks of COVID-19 and the unexpected suspension of production for around three months in the second half of 2022 caused by the outbreaks of COVID-19 and power-cut measures implemented by the local government. According to the 2021 annual report and 2022 interim report of the Company, the number of vehicles sold by the Group decreased by approximately 4.3% from 45,869 units in 2020 to 43,876 units in 2021 and continued to reduce by approximately 29.8% from 25,037 units for the six months ended 30 June 2021 to 17,575 units for the six months ended 30 June 2022. Apart from the decrease in the Group's sales volume of vehicles, the implementation of the localization of parts and accessories policy also reduced the number of products, especially the automobile parts and components for heavy-duty trucks, purchased from Isuzu under the Isuzu Supply Agreement.

We understand from the management of the Company that apart from the parts and components purchased from Qingling Group, the Company started to purchase the vehicle bodies for its production of vehicles from Qingling Group in 2021. Therefore, the transaction amounts under the Qingling Group Agreement increased substantially from approximately RMB28.6 million for the year ended 31 December 2020 to approximately RMB68.3 million for the year ended 31 December 2021. In 2022, the Company started to purchase vehicle bodies for the production of hydrogen fuel cell vehicles. As such, a larger quantity of vehicle bodies was purchased and the transaction amounts under the Qingling Group Agreement further increased to approximately RMB106.35 million for the year ended 31 December 2022.

(ii) Projected sales volume of the Group's vehicles

For the year ended 31 December 2021, the Group recorded a turnover of approximately RMB4,828.2 million, representing a decrease of approximately 5.1% as compared to the previous year, while the number of vehicles sold by the Group also decreased by approximately 4.3% to 43,876 units for the year ended 31 December 2021. For the six months ended 30 June 2022, the Group recorded a turnover of approximately RMB1,917.8 million, representing a decrease of approximately 29.1% as compared to the last corresponding period. The number of vehicles sold by the Group also decreased by approximately 29.8% to 17,575 units for the six months ended 30 June 2022. The reductions in sales volume and turnover were mainly attributable to the increased adverse impact on business operations resulting from the significant decline in demand for commercial vehicles in the PRC, the continuous sporadic outbreak of COVID-19 and the suspension of production of the Company for around three months in the second half of 2022 caused by the outbreaks of COVID-19 and power-cut measures implemented by the local government.

Nevertheless, with the recently ease of the epidemic in the PRC and the Company's enhancement in technical advancement and market exploration by adopting the measures of (i) continuous market exploration, focusing on keeping pace with the trend of industrial development and in-depth exploration of the overseas markets; (ii) continuous adoption of localization of parts and accessories policy, implementation of technical improvement, and the strengthening and enhancement of the Group's cost control measures and competitiveness of the Group's products; (iii) continuous improvement of the Group's technological development and launching of new models, varieties and specifications of vehicles including the new energy vehicles such as hydrogen fuel cell vehicles; and (iv) product quality enhancement by the Company and maintaining the positions of its products as being of high quality and mid-priced, the Company expects that demand of automobiles, in particular for technologically advanced and high-quality commercial vehicles like those manufactured and sold by the Group, as well as the Group's sales volume shall resume their rising trend for the three years ending 31 December 2025. We have reviewed the sales plan of the Company and noted that the expected number of vehicles to be sold by the Group would increase at a compound annual growth rate of approximately 19.5% from 70,000 units for the year ending 31 December 2023 to 100,000 units for the year ending 31 December 2025.

We noted that the projected sales volume of the Group's vehicles is larger than the existing level and were given to understand that the Group would continue to enhance its technology development by launching new varieties of vehicles such as light-duty vehicles, heavy-duty trucks and new energy vehicles. The Company anticipates that approximately 100 new models or different specifications of vehicles may be launched and made available for sale in the three years ending 31 December 2025. Currently, the Group sells its products through around 362 dealers in the PRC. The Group will further improve the quality of services provided by the sales branches and carry out various marketing activities to enhance the sales volume of vehicles. The Group shall also continue to adopt the policy of localization of parts and accessories and implementation of technology improvement to further reduce costs and enhance the competitiveness of the Group's products. With the above-mentioned development plan of the Group, it is expected that the sales volume of vehicles can further increase by a compound annual growth rate of approximately 19.5% from 2023 to 2025.

We noted from the schedules for preparing the Annual Caps of the transactions under the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement that the quantity to be purchased/sold by the Company would increase at a compound annual growth rate in a range of approximately 16.9% and 31.1% for the three years ending 31 December 2025, which is similar to the expected increase in the sales volume of the Group's vehicles of approximately 19.5%. We are satisfied that the expected quantity to be purchased/sold by the Group in calculating the Annual Caps of the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement are generally in line with the needs under the production plan of the Group for the three years ending 31 December 2025.

Based on the above, we are of the view that the Group's expected compound annual growth rates, in the range of approximately 15.6% to 40.2%, in transaction amounts of the transactions under the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement for the three years ending 31 December 2025, which are mainly attributable to the increase in expected production and sales volume of the Group, are fair and reasonable. We also consider that the Annual Caps for the New Parts Supply Agreement, the New Isuzu Supply Agreement and the New Supply Agreement proposed by the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(e) Annual Caps of the New QM Moulds Supply Agreement

The Annual Caps of the New QM Moulds Supply Agreement were determined by reference to the estimated number of moulds and related products/services required by Qingling Moulds for the Group's production of vehicles for the three years ending 31 December 2025.

No transactions under the New QM Moulds Supply Agreement have been carried out up to the Latest Practicable Date. We have reviewed the schedules of expected average costs and the number of units to be purchased by the Group in relation to the transactions under the New QM Moulds Supply Agreement for the three years ending 31 December 2025 and noted that the Annual Caps for the New QM Moulds Supply Agreement in relation to the purchase of moulds and related products and services were projected to be RMB30.0 million for each of the three years ending 31 December 2025.

We were given to understand that the moulds and related products/services to be purchased from QM would be used for the Group's production of a specific vehicle model, the expected production volume of which would remain stable for the three years ending 31 December 2025. The expected quantities of moulds to be purchased would remain the same for the three years ending 31 December 2025, which is in line with the needs under the production plan of the Group for the three years ending 31 December 2025. Meanwhile, the costs of moulds and related products/services are also expected to be relatively stable in the coming years as the Qingling Moulds would request QM to minimize the effect of the increase in cost on the price of the moulds as far as possible through technology and management advancement.

Based on the above, we are of the view that the Annual Caps for the New QM Moulds Supply Agreement proposed by the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(f) Annual Caps of the New Hydrogen-powered Supply Agreement

The Annual Caps of the New Hydrogen-powered Modules Supply Agreement were set by the Board by reference to (i) the sales capacity of the Group; (ii) the expected sales volume of the hydrogen fuel cell vehicles of the Company during the three years ending 31 December 2025; and (iii) the market prices of hydrogen-powered modules and their price trends. The Annual Caps of the New Hydrogen-powered Modules Supply Agreement are proposed to be RMB486.36 million, RMB495.45 million and RMB880.80 million for the three years ending 31 December 2023, 2024 and 2025 respectively.

The Company started to purchase the hydrogen-powered modules from Bosch JV Company for its production of hydrogen fuel cell commercial vehicles in 2021. The Company produced one model of hydrogen fuel cell commercial vehicles in 2021 and increased to three models of hydrogen fuel cell commercial vehicles in 2022. Therefore, the historical transaction amounts for the transactions under the Hydrogen-powered Supply Agreement increased significantly from approximately RMB53.8 million for the year ended 31 December 2021 to approximately RMB146.0 million for the year ended 31 December 2022.

We have reviewed the Company's production plan regarding the hydrogen fuel cell commercial vehicles and noted that the Company plans to further increase its production volume of hydrogen fuel cell commercial vehicles to 925 units, 1,000 units and 2,000 units for the years ending 31 December 2023, 2024 and 2025 respectively, having considered (i) the number of hydrogen fuel cell vehicles used in regional public transportation, logistics and other fields targeted to reach 1,500 units by 2025 as stated in the "Guiding Opinions for the Development of Hydrogen Fuel Cell Vehicles Industry" (氫燃料電池汽車產業發展指導意見) issued by the Chongqing municipal government; (ii) the plan to build hydrogen energy technology industrial parks in the western part of the PRC and create a hydrogen valley proposed by the Jiulongpo district government of the Chongqing municipality; and (iii) the increasing demand of the new energy commercial vehicles as evidenced by the growth in the production volume and sales volume of new energy commercial vehicles in the PRC for 2022 of approximately 81.5% and 78.9%, respectively, as compared to the previous year.

We noted from the schedules for preparing the Annual Caps of the transactions under the New Hydrogen-powered Modules Supply Agreement that the quantity to be purchased by the Company would increase at a compound annual growth rate of approximately 47.0% for the three years ending 31 December 2025 from 925 units in 2023, 1,000 units in 2024 to 2,000 units in 2025, having taken into account the Company's production plan of the hydrogen fuel cell commercial vehicles. We are satisfied that the expected quantity of modules to be purchased by the Group in calculating the Annual Caps of the New Hydrogen-powered Modules Supply Agreement is generally in line with the needs under the production plan of the Company for the three years ending 31 December 2025.

We also noted from the schedules prepared by the Company that the projected average prices of the products under the New Hydrogen-powered Modules Supply Agreement would decrease at a compound annual decline rate of approximately 8.5%. We understand from the management of the Company that the costs of products were expected to decrease as the production cost of hydrogen-powered modules would reduce in view of the technological improvement in the production of hydrogen-powered modules and the economics of scale resulting from increased production volume. Based on the above and having considered the decrease in the actual historical average price of the products under the Hydrogen-powered Modules Supply Agreement in 2022 as compared to 2021, we are of the view that the projected average prices of the products under the New Hydrogen-powered Modules Supply Agreement are fair and reasonable.

We also consider that the Annual Caps for the New Hydrogen-powered Modules Supply Agreement proposed by the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(g) Annual Caps of the New Sales JV Supply Agreement

The Annual Caps of the New Sales JV Supply Agreement were determined by reference to (i) the sales capacity of the Group; (ii) the expected sales volume of vehicles of the Company for the three years ending 31 December 2025; and (iii) the price of automobile, parts and transportation in the market and their price trends.

We noted that the historical transaction amounts of the transactions under the Sales JV Supply Agreement decreased at a compound annual rate of approximately 31.6% during the period from 2020 to 2022. We were advised by the management of the Company that the decrease was mainly attributable to the reduction in sales of automobile parts and components to Sales JV Company during the period as the Company started to sell its automobile parts and components directly to its end-user customers, instead of making sales solely through Sales JV Company, in 2020.

We have reviewed the breakdown of the Annual Caps of the New Sales JV Supply Agreement and noted that the Annual Cap of the New Sales JV Supply Agreement in 2023 would increase significantly to RMB206.58 million and decrease to RMB168.19 million in 2024 then bounce back to RMB208.91 million in 2025. Meanwhile, we noted from the schedule of expected average selling prices and the number of units to be sold by the Group in relation to automobiles under the New Sales JV Supply Agreement that the Company intends to maintain the prices of the automobiles at a level similar to the existing prices in order to maintain its competitiveness. Therefore, the expected changes in transaction amounts under the New Sales JV Supply Agreement are mainly attributable to the changes in the projected number of vehicles to be sold to Sales JV Company.

We were given to understand that in determining the Annual Cap for the year ended 31 December 2023, the Company has considered, among others, (i) the outbreak of epidemic in late 2022 which led to the postponement of some sale orders to 2023; (ii) the outlook of the commercial vehicle industry in the PRC, details of which are set out in the section "Outlook of the commercial vehicle industry in the PRC" above and its expectation that the commercial vehicle industry would increase in 2023 following the negative growth in 2022 and the ease of epidemic recently; and (iii) the projected expansion of the Group's sales capacity. The Group anticipated that the postponement of vehicle sale orders from 2022 to 2023 and the economic recovery after the ease of the epidemic would significantly increase the number of vehicles to be sold by the Group, including sales to Sales JV Company, in 2023, as compared to 2022. Having eliminated the effect of the postponement of 2022's sale orders to 2023, the sales volume of vehicles sold to Sales JV Company is expected to decrease by around 180 units in 2024 and resume to a level similar to 2023 in 2025.

Based on the above, we consider that the Annual Caps of the New Sales JV Supply Agreement proposed by the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Non-exempt CCT Agreements, the Non-exempt Continuing Connected Transactions and the proposed Annual Caps thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the resolution(s) to be proposed at the EGM to approve the Non-exempt CCT Agreements, the Non-exempt Continuing Connected Transactions and the proposed Annual Caps thereunder.

Yours faithfully,
For and on behalf of
Crescendo Capital Limited

Amilia Tsang
Managing Director

Helen Fan
Director

Notes:

1. Ms. Amilia Tsang is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in corporate finance.

2. Ms. Helen Fan is a licensed person under the SFO permitted to engage in Type 6 (advising on corporate finance) regulated activity and has over 14 years of experience in corporate finance.

1. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Mr. Luo Yuguang is a director, the general manager and the deputy secretary of the Party Committee of Qingling Group, Mr. LI Juxing, Mr. XU Song and Mr. LI Xiaodong are the deputy general managers and members of the Party Committee of Qingling Group, Mr. NAKAMURA Osamu is an executive officer of Isuzu, an executive officer of the Head Office of Business Department, the GR Domestic Coordination Department, the GR Domestic Business Development Department, the GR Domestic Commodity Policy Department and the Program Business Development Department as well as a managerial staff in the head office of the China Business Department, and Mr. KIJIMA Katsuya is an executive officer of the Vehicle Public Works Department and the Vehicle Quality Management Department of Isuzu.

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

(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as was known to each Director or chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's/corporate's interest in such securities, together with particulars of any options in respect of such capital:

Long positions in the Shares:

Name of Shareholder	Class of Shares	No. of Shares	Capacity	% of share capital of the relevant class	% of entire share capital
Qingling Group	Domestic Shares	1,243,616,403	Beneficial Owner	100%	50.10%
Isuzu	H Shares	496,453,654	Beneficial Owner	40.08%	20.00%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation (other than statutory compensation).

4. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors nor their respective close associates had any interests which competed or may compete, directly or indirectly, with the Company's business.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial and trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Crescendo Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Crescendo Capital Limited was not interested beneficially or non-beneficially in any Shares or shares in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Crescendo Capital Limited did not have any direct or indirect interest in any asset which had been, since 31 December 2021, 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.

Crescendo Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 31 March 2023 and reference to its name and logo in the form and context in which they respectively appear.

8. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are on display and are published on the website of the Stock Exchange (www.hkexnews.com) and the website of the Company (www.qingling.com.cn) for a period of 14 days from the date of this circular:

(i) the New Chassis Supply Agreement;

(ii) the New Parts Supply Agreements;

(iii) the New QM Moulds Supply Agreement;

(iv) the New Hydrogen-powered Modules Supply Agreement;

(v) the New Isuzu Supply Agreement;

(vi) the New Supply Agreement; and

(vii) the New Sales JV Supply Agreement.

9. GENERAL

Save as otherwise stated in this circular, the English text of this circular shall prevail over the Chinese text in the event of inconsistency.

慶鈴汽車股份有限公司
QINGLING MOTORS CO. LTD

(a Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1122)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Qingling Motors Co. Ltd (the "**Company**") will be held at the New Conference Hall of the Company, 1st Floor, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China (the "**PRC**") on Wednesday, 31 May 2023 at 11:00 a.m. (or immediately after the conclusion of the annual general meeting to be convened and held on the same date at the same place) (or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT:**

   (a) the conditional agreement dated 30 December 2022 entered into between the Company and 慶鈴汽車(集團)有限公司 (Qingling Motors (Group) Co. Ltd*) ("**Qingling Group**") (for itself and on behalf of its wholly-owned subsidiary – 重慶慶鈴專用汽車有限公司(Chongqing Qingling Special Vehicle Co., Ltd*) ("**Qingling Zhuanyong**") in respect of the supply of automobile chassis and related components by the Company to Qingling Group and/or Qingling Zhuanyong (the "**New Chassis Supply Agreement**", a copy of which marked "A" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the relevant annual caps for each of the three years ending 31 December 2025 (as set out in the circular of the Company dated 31 March 2023 (the "**Circular**")) be and are hereby approved;

   and any one director ("**Director(s)**") or the authorised person(s) of the Company be and is(are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he may in his discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Chassis Supply Agreement and the transactions thereby contemplated and the annual caps."

2. "**THAT:**

(a) the conditional agreements dated 30 December 2022 entered into: (i) between 重慶慶鈴鑄鋁有限公司(Chongqing Qingling Aluminium Casting Co. Ltd.*) and the Company (the "**New CQACL Agreement**"); (ii) between Qingling Group (for itself and on behalf of its subsidiaries – 重慶慶鈴汽車機加部品製造有限公司(Chongqing Qingling Machinery Parts Co. Ltd.*) ("**QM**"), Qingling Zhuanyong, 重慶慶鈴汽車底盤部品有限公司(Chongqing Qingling Automobile Chassis Parts Co. Ltd.*), 重慶慶鈴汽車配件製造有限公司(Chongqing Qingling Autoparts Manufacturing Co., Ltd.*) and 重慶慶鈴科渝汽車配件有限公司(Chongqing Qingling Keyu Autoparts Co., Ltd.*) and the Company (the "**New Qingling Group Agreement**"); (iii) between 重慶慶鈴鑄造有限公司(Chongqing Qingling Casting Company Limited*) (for itself and on behalf of its subsidiary – 重慶慶鈴車輛部品製造有限公司(Chongqing Qingling Vehicle Parts Manufacturing Co., Ltd.*)) and the Company (the "**New CQCC Agreement**"); (iv) between 重慶慶鈴鍛造有限公司(Chongqing Qingling Forging Co. Ltd.*) and the Company (the "**New CQFC Agreement**"); (v) between 重慶慶鈴車橋有限公司(Chongqing Qingling Axle Co. Ltd.*) and the Company (the "**New CQAC Agreement**"); (vi) between 重慶慶鈴日發座椅有限公司(Chongqing Qingling NHK Seat Co. Ltd.*) and the Company (the "**New CQNHK Agreement**"); and (vii) between 重慶慶鈴塑料有限公司(Chongqing Qingling Plastic Co. Ltd.*) and the Company (the "**New CQPC Agreement**") (copies of which marked "B" have been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the relevant annual caps for each of the three years ending 31 December 2025 (as set out in the Circular) be and are hereby approved;

and any one Director or the authorised person(s) of the Company be and is(are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he may in his discretion consider necessary or desirable or expedient to implement and/or to give effect to the New CQACL Agreement, the New Qingling Group Agreement, the New CQCC Agreement, the New CQFC Agreement, the New CQAC Agreement, the New CQNHK Agreement and the New CQPC Agreement and the transactions thereby contemplated and the annual caps."

3. "**THAT:**

(a) the conditional agreement dated 30 December 2022 entered into between QM and 重慶慶鈴模具有限公司(Chongqing Qingling Moulds Co. Ltd.*) ("**Qingling Moulds**") in respect of the supply of moulds and related products and provision of maintenance and processing services by QM to Qingling Moulds (the "**New QM Moulds Supply Agreement**", a copy of which marked "C" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the relevant annual caps for each of the three years ending 31 December 2025 (as set out in the Circular) be and are hereby approved;

and any one director or the authorised person(s) of Qingling Moulds be and is(are) hereby authorised on behalf of Qingling Moulds to sign, seal and execute all such other documents and agreements and to do all such acts and things as he/she may in his/her discretion consider necessary or desirable or expedient to implement and/or to give effect to the New QM Moulds Supply Agreement and the transactions thereby contemplated and the annual caps."

4. "**THAT:**

(a) the conditional agreement dated 30 December 2022 entered into between Bosch Hydrogen Powertrain Systems (Chongqing) Co. Ltd. (the "**Bosch JV Company**") and the Company in respect of the supply of hydrogen-powered modules by the Bosch JV Company to the Company (the "**New Hydrogen-powered Modules Supply Agreement**", a copy of which marked "D" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the relevant annual caps for each of the three years ending 31 December 2025 (as set out in the Circular) be and are hereby approved;

and any one Director or the authorised person(s) of the Company be and is(are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he may in his discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Hydrogen-powered Modules Supply Agreement and the transactions thereby contemplated and the annual caps."

5. "**THAT:**

(a) the conditional agreement dated 30 December 2022 entered into between Isuzu Motors Limited ("**Isuzu**") and the Company in respect of the supply of automobile parts and components by Isuzu to the Company (the "**New Isuzu Supply Agreement**", a copy of which marked "E" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the relevant annual caps for each of the three years ending 31 December 2025 (as set out in the Circular) be and are hereby approved;

and any one Director or the authorised person(s) of the Company be and is(are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he may in his discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Isuzu Supply Agreement and the transactions thereby contemplated and the annual caps."

6. "**THAT:**

(a) the conditional agreement dated 30 December 2022 entered into between the Company and 五十鈴(中國)發動機有限公司(Isuzu (China) Engine Co., Ltd.*) ("**IEC**") in respect of the supply of engine parts and raw materials by the Company to IEC and the supply of engines and their parts by IEC to the Company (the "**New Supply Agreement**", a copy of which marked "F" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the relevant annual caps for each of the three years ending 31 December 2025 (as set out in the Circular) be and are hereby approved;

and any one Director or the authorised person(s) of the Company be and is(are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he may in his discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Supply Agreement and the transactions thereby contemplated and the annual caps."

7. "**THAT:**

(a) the conditional agreement dated 30 December 2022 entered into between the Company and 慶鈴五十鈴(重慶)汽車銷售服務有限公司 (Qingling Isuzu (Chongqing) Automobile Sales and Service Co., Ltd*) (the "**Sales JV Company**") in respect of the supply of automobiles and their parts by the Company to the Sales JV Company (the "**New Sales JV Supply Agreement**", a copy of which marked "G" has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the relevant annual caps for each of the three years ending 31 December 2025 (as set out in the Circular) be and are hereby approved;

and any one Director or the authorised person(s) of the Company be and is(are) hereby authorised on behalf of the Company to sign, seal and execute all such other documents and agreements and to do all such acts and things as he may in his discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Sales JV Supply Agreement and the transactions thereby contemplated and the annual caps."

By Order of the Board
Qingling Motors Co. Ltd
LEI Bin
Company Secretary

Chongqing, the PRC, 31 March 2023

Notes:

(1) Any shareholder entitled to attend and vote at the EGM mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her/its behalf in accordance with the articles of association of the Company. A proxy need not be a shareholder of the Company.

(2) In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the legal address of the Company at 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC (in the case of proxy form of holders of domestic shares) or at the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of proxy form of holders of H shares) not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.

(3) Shareholders or their proxies shall produce their identity documents when attending the EGM.

(4) To ascertain the shareholders' entitlement to attend and vote at the EGM, the register of shareholders of the Company will be closed from Monday, 1 May 2023 to Wednesday, 31 May 2023 (both dates inclusive), during which period no transfer of shares will be registered. All duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 28 April 2023.

(5) Shareholders whose names appear on the register of shareholders of the Company on Monday, 1 May 2023 are entitled to attend and vote at the EGM.

(6) Shareholders who intend to attend the EGM shall complete and lodge the reply slip for attending the EGM at the Company's legal address at 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC on or before Thursday, 11 May 2023. The reply slip may be delivered to the Company by post, by cable or by fax (at fax no.: (86)23–68830397).

(7) The EGM is not expected to take more than half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travel and accommodation expenses.

(8) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), all votes of the shareholders at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and the Company will announce the results of the poll in the manner prescribed under Rules 13.39(5) and 13.39(5A) of the Listing Rules.

(9) As at the date of this notice, the Board comprises 11 Directors, of which Mr. LUO Yuguang, Mr. YASUTA Tatsuya, Mr. NAKAMURA Osamu, Mr. KIJIMA KATSUYA, Mr. LI Juxing, Mr. XU Song and Mr. LI Xiaodong are executive Directors and Mr. LONG Tao, Mr. SONG Xiaojiang, Mr. LIU Tianni and Mr. LIU Erh Fei are independent non-executive Directors.

* *For identification purposes only*