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If you have sold or transferred all your shares in **Qingling Motors Co. Ltd.**, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD.

(a Sino-foreign joint venture joint stock 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**

Hercules
Hercules Capital Limited

A letter from the Board is set out on pages 7 to 36 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 37 to 38 of this circular.

A letter from Hercules Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 60 of this circular.

A notice convening an extraordinary general meeting (the "EGM") of Qingling Motors Co. Ltd (the "Company") to be held at Conference Hall, 1st Floor of Qingling Motors Co. Ltd Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China (the "PRC") on Tuesday, 22 April 2014 at 10:00 a.m. or any adjournment thereof is set out on pages 64 to 67 of this circular. Whether or not you are able 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 hand, by post or by fax (at fax no. (86) 23-68830397) on or before Wednesday, 2 April 2014. 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 to the Company's H Share Registrars, 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) as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or 24 hours before the time appointed for taking the poll 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 proxy form of holders of H Shares for use at the EGM and reply slip have been published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.qingling.com.cn).

5 March 2014

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Announcement”	the announcement of the Company dated 17 December 2013 in relation to, among other things, the Non-exempt Continuing Connected Transactions
“Board”	the board of Directors
“Chassis Supply Agreement”	the agreement entered into between the Company and Qingling Group on 23 December 2010 relating to the supply of automobile chassis and related components by the Company to Qingling Group for each of the three years commencing on 5 August 2011 and expiring on 4 August 2014
“Company”	Qingling Motors Co. Ltd, a sino-foreign joint venture joint stock company incorporated in the PRC with limited liability
“Company Supply Agreement”	the agreement dated 23 December 2010 entered into between Isuzu and the Company relating to the provision of automobile parts and components by the Company to Isuzu for a period of three years commencing on 24 June 2011 and expiring on 23 June 2014
“connected person(s)”	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 incorporated in the PRC with limited liability owned as to 80%, 10%, and 10% by Qingling Group, Isuzu and Isuzu China respectively
“CQAC Agreement”	the agreement dated 23 December 2010 entered into between CQAC and the Company relating to the supply of certain automobile parts by CQAC to the Company for a period of three years commencing on 20 September 2011 and expiring on 19 September 2014
“CQACL”	重慶慶鈴鑄鋁有限公司 Chongqing Qingling Aluminium Casting Co. Ltd., a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 72.43%, 13%, 10% and 4.57% by Qingling Group, Isuzu, Isuzu China and an Independent Third Party respectively
“CQACL Agreement”	the agreement dated 23 December 2010 entered into between CQACL and the Company relating to the supply of certain automobile parts by CQACL to the Company for a period of three years commencing on 20 September 2011 and expiring on 19 September 2014

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“CQCC”	重慶慶鈴鑄造有限公司 Chongqing Qingling Casting Company Limited, a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 75%, 21.54% and 3.46% by Qingling Group, Isuzu and an Independent Third Party respectively
“CQCC Agreement”	the agreement dated 23 December 2010 entered into between CQCC and the Company relating to the supply of certain automobile parts by CQCC to the Company for a period of three years commencing on 20 September 2011 and expiring on 19 September 2014
“CQFC”	重慶慶鈴鍛造有限公司 Chongqing Qingling Forging Co. Ltd., a sino-foreign joint venture company incorporated in the PRC with limited liability and owned as to 75%, 9.18%, 14.03% and 1.8% by Qingling Group, Isuzu, Isuzu China and an Independent Third Party respectively
“CQFC Agreement”	the agreement dated 23 December 2010 entered into between CQFC and the Company relating to the supply of certain automobile parts by CQFC to the Company for a period of three years commencing on 20 September 2011 and expiring on 19 September 2014
“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 incorporated in the PRC with limited liability owned as to 55.80%, 3%, 2%, 30% and 9.2% by Qingling Group, Isuzu, Isuzu China and two Independent Third Parties respectively
“CQNHK Agreement”	the agreement dated 23 December 2010 entered into between CQNHK and the Company relating to the supply of certain automobile parts by CQNHK to the Company for a period of three years commencing on 20 September 2011 and expiring on 19 September 2014
“CQPC”	重慶慶鈴塑料有限公司 Chongqing Qingling Plastic Co. Ltd., a sino-foreign joint venture company incorporated in the PRC with limited liability owned as to 75.15%, 9%, 10% and 5.85% by Qingling Group, Isuzu, Isuzu China and an Independent Third Party respectively
“CQPC Agreement”	the agreement dated 23 December 2010 entered into between CQPC and the Company relating to the supply of certain automobile parts by CQPC to the Company for a period of three years commencing on 20 September 2011 and expiring on 19 September 2014
“Directors”	the director(s) of the Company

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“Domestic Share(s)”	domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Conference Hall, 1st Floor of Qingling Motors Co. Ltd Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC on Tuesday, 22 April 2014 at 10:00 a.m. to consider, among other things, the ordinary resolutions to be proposed to approve the Non-exempt Continuing Connected Transactions and their respective annual caps
“Engine JV Company”	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 established in the PRC which is owned as to 50% by the Company and 50% by Isuzu
“Existing Non-exempt Continuing Connected Transactions”	transactions under the Parts Supply Agreements, the Chassis Supply Agreement, the Isuzu Supply Agreement, the Supply Agreement and the Company Supply Agreement
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign shares 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
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors (namely, Mr. Long Tao, Mr. Song Xiaojiang, Mr. Xu Bingjin and Mr. Liu Tianni) established for the purpose of reviewing the Non-exempt Continuing Connected Transactions
“Independent Financial Adviser”	Hercules Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, 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 and substantial shareholder(s) of the Company or any of its subsidiaries and their respective associates, and each of them an “Independent Third Party”

DEFINITIONS

“Isuzu”	Isuzu Motors Limited, a company incorporated in Japan and listed on the Tokyo Stock Exchange and a substantial shareholder of the Company
“Isuzu China”	Isuzu (China) Holding Co., Ltd., a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Isuzu
“Isuzu Supply Agreement”	the agreement dated 23 December 2010 entered into between Isuzu and the Company relating to the provision of automobile parts and components by Isuzu to the Company for a period of three years commencing on 24 June 2011 and expiring on 23 June 2014
“Latest Practicable Date”	3 March 2014, 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 entered into between the Company and Qingling Group on 17 December 2013 relating to the supply of automobile chassis and related components by the Company to Qingling Group, details of which are set out in the section headed “THE NEW CHASSIS SUPPLY AGREEMENT”
“New Company Supply Agreement”	the agreement dated 17 December 2013 entered into between Isuzu and the Company relating to the provision of automobile parts and components by the Company to Isuzu, details of which are set out in the section headed “THE NEW COMPANY SUPPLY AGREEMENT”
“New CQAC Agreement”	the conditional agreement dated 17 December 2013 entered into between CQAC and the Company relating to the supply of certain automobile parts by CQAC to the Company, details of which are set out in the section headed “THE NEW CQAC AGREEMENT”
“New CQACL Agreement”	the conditional agreement dated 17 December 2013 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 CQFC Agreement”	the conditional agreement dated 17 December 2013 entered into between CQFC and the Company relating to the supply of certain automobile parts by CQFC to the Company, details of which are set out in the section headed “THE NEW CQFC AGREEMENT”
“New CQCC Agreement”	the conditional agreement dated 17 December 2013 entered into between CQCC and the Company relating to the supply of certain automobile parts by CQCC to the Company, details of which are set out in the section headed “THE NEW CQCC AGREEMENT”

DEFINITIONS

“New CQNHK Agreement”	the conditional agreement dated 17 December 2013 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 17 December 2013 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 Isuzu Supply Agreement”	the conditional agreement dated 17 December 2013 entered into between Isuzu and the Company relating to the provision 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 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
“New Qingling Group Agreement”	the conditional agreement dated 17 December 2013 entered into between Qingling Group and the Company relating to the supply of certain automobile parts by Qingling Group to the Company, details of which are set out in the section headed “THE NEW QINGLING GROUP AGREEMENT”
“New Supply Agreement”	the agreement dated 17 December 2013 entered into between the Company and the Engine JV Company relating to the provision of parts of engines and raw materials by the Company to the Engine JV Company, and the provision of engine assemblies and their parts by the Engine JV Company to the Company, details of which are set out in the section headed “THE NEW SUPPLY AGREEMENT”
“Non-exempt CCT Agreements”	the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement
“Parts Supply Agreements”	the CQACL Agreement, the Qingling Group 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

DEFINITIONS

“PRC”	the People’s Republic of China
“Qingling Group”	慶鈴汽車(集團)有限公司 Qingling Motors (Group) Company Limited, a state-owned limited liability company established in the PRC
“Qingling Group Agreement”	the agreement dated 23 December 2010 entered into between Qingling Group and the Company relating to the supply of certain automobile parts by Qingling Group to the Company
“Qingling Group Companies”	Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL and any of them “Qingling Group Company”
“Qingling Motors Outlets”	outlets selling automobiles manufactured by the Company in the PRC, which are owned by Independent Third Parties
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the Domestic Shares and the H Shares of the Company
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed in the Listing Rules
“Supply Agreement”	the agreement dated 23 December 2010 entered into between the Company and the Engine JV Company relating to the provision of parts of engines and raw material by the Company to the Engine JV Company, and the provision of engine assemblies and their parts by the Engine JV Company to the Company for a period of three years commencing from 31 March 2011 and expiring on 30 March 2014

LETTER FROM THE BOARD



慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD.

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

(Stock Code: 1122)

Executive Directors:

Mr. DU Weidong (*Chairman*)
Mr. Naotoshi TSUTSUMI (*Vice-Chairman*)
Mr. GAO Jianmin
Mr. Makoto TANAKA (*General Manager*)
Mr. Ryoza TSUKIOKA
Mr. PAN Yong (*Deputy General Manager*)
Mr. ZENG Jianjiang (*Deputy General Manager*)

Independent Non-Executive Directors:

Mr. LONG Tao
Mr. SONG Xiaojiang
Mr. XU Bingjin
Mr. LIU Tianni

Legal Address:

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

*Principal Place of Business
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Suite 4901, 49th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

5 March 2014

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement and the announcements of the Company dated 10 January 2014 and 20 February 2014. Pursuant to the requirements under the Listing Rules, the Company will seek the approval of the Independent Shareholders in relation to, inter alia, the Non-exempt Continuing Connected Transactions and the respective annual caps.

The purpose of this circular is to provide you with details of the Non-exempt Continuing Connected Transactions and the respective annual caps. The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Non-exempt Continuing Connected Transactions and the respective 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. Hercules 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

LETTER FROM THE BOARD

the terms of the Non-exempt Continuing Connected Transactions and the respective 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 37 to 38 of this circular and a letter from the Independent Financial Adviser is set out on pages 39 to 60 of this circular. The purpose of this circular is also to provide you with the notice of EGM at which resolutions will be proposed to consider and, if thought fit, to approve the Non-exempt Continuing Connected Transactions and the respective annual caps.

BACKGROUND

The Group has continued to carry on the Existing Non-exempt Continuing Connected Transactions which include, among other things, transactions under the following agreements:

- (i) the Parts Supply Agreements which will expire on 19 September 2014;
- (ii) the Chassis Supply Agreement which will expire on 4 August 2014;
- (iii) the Isuzu Supply Agreement which will expire on 23 June 2014;
- (iv) the Supply Agreement which will expire on 30 March 2014; and
- (v) the Company Supply Agreement which will expire on 23 June 2014.

Details of the Existing Non-exempt Continuing Connected Transactions are more particularly set out in the announcement dated 23 December 2010.

It is expected that the Group will from time to time continue to enter into transactions of a nature similar to the Existing Non-exempt Continuing Connected Transactions after the expiry of the agreements to which the Existing Non-exempt Continuing Connected Transactions relate. Accordingly, the Group now seeks to renew the said agreements on substantially the same terms and to enter into the agreements numbered (1) and (2) below with the Qingling Group Companies, the agreements numbered (3) and (5) below with Isuzu and the agreement numbered (4) below with the Engine JV Company, which constitute continuing connected transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

I. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. THE NEW PARTS SUPPLY AGREEMENTS

a. THE NEW CQACL AGREEMENT

Date	:	17 December 2013
Parties	:	(i) CQACL; and (ii) the Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Term	:	From 20 September 2014 to 31 December 2016
Products provided by CQACL to the Company	:	Automobile parts including but not limited to aluminium parts and other parts and components
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 in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%. In any event, on terms no less favourable than those offered by CQACL to Independent Third Parties
Payment term	:	Payment within one month after delivery

LETTER FROM THE BOARD

b. THE NEW QINGLING GROUP AGREEMENT

Date	:	17 December 2013
Parties	:	(i) Qingling Group; and (ii) the Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Term	:	From 20 September 2014 to 31 December 2016
Products provided by Qingling Group to the Company	:	Automobile parts including but not limited to stamping components, compartments and other parts and components
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 in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%. 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 delivery

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c. THE NEW CQCC AGREEMENT

Date	:	17 December 2013
Parties	:	(i) CQCC; and (ii) the Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Term	:	From 20 September 2014 to 31 December 2016
Products provided by CQCC to the Company	:	Automobile parts including but not limited to casts of engine blocks, cylinder heads and main bearing covers and other parts and components
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 in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%. In any event, on terms no less favourable than those offered by CQCC to Independent Third Parties
Payment term	:	Payment within one month after delivery

LETTER FROM THE BOARD

d. THE NEW CQFC AGREEMENT

Date	:	17 December 2013
Parties	:	(i) CQFC; and (ii) the Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Term	:	From 20 September 2014 to 31 December 2016
Products provided by CQFC to the Company	:	Automobile parts including but not limited to raw forgings of engine crankshafts and connecting rods and other parts and components
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 in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%. In any event, on terms no less favourable than those offered by CQFC to Independent Third Parties
Payment term	:	Payment within one month after delivery

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e. THE NEW CQAC AGREEMENT

Date	:	17 December 2013
Parties	:	(i) CQAC; and (ii) the Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Term	:	From 20 September 2014 to 31 December 2016
Products provided by CQAC to the Company	:	Automobile parts including but not limited to front and rear motor vehicle axles and other parts and components
Price determination	:	Currently at prices not higher than market prices determined in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%. In any event, on terms no less favourable than those offered by CQAC to Independent Third Parties
Payment term	:	Payment within one month after delivery

LETTER FROM THE BOARD

f. THE NEW CQNHK AGREEMENT

Date	:	17 December 2013
Parties	:	(i) CQNHK; and (ii) the Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Term	:	From 20 September 2014 to 31 December 2016
Products provided by CQNHK to the Company	:	Automobile parts including but not limited to motor vehicle seats and other parts and components
Price determination	:	Currently at prices not higher than market prices determined in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%. In any event, on terms no less favourable than those offered by CQNHK to Independent Third Parties
Payment term	:	Payment within one month after delivery

LETTER FROM THE BOARD

g. THE NEW CQPC AGREEMENT

Date	:	17 December 2013
Parties	:	(i) CQPC; and (ii) the Company
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Term	:	From 20 September 2014 to 31 December 2016
Products provided by CQPC to the Company	:	Automobile parts including but not limited to plastic parts and other parts and components
Price determination	:	Currently at prices not higher than market prices determined in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, at prices based on actual costs or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 8%. In any event, on terms no less favourable than those offered by CQPC to Independent Third Parties
Payment term	:	Payment within one month after delivery

Historical transaction amounts

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

	Actual amounts incurred (in RMB)			Annual caps (in RMB)			
	For the period from 20 September 2011 to 31 December 2011	For the year ended 31 December 2012	For the period from 1 January 2013 to 30 November 2013	For the period from 20 September 2011 to 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the period from 1 January 2014 to 19 September 2014
CQACL Agreement	6,620,000	14,050,000	10,400,000	15,000,000	70,000,000	70,000,000	50,000,000
Qingling Group Agreement	15,500,000	107,240,000	99,000,000	16,000,000	110,000,000	110,000,000	90,000,000
CQCC Agreement	9,990,000	21,520,000	17,100,000	10,000,000	50,000,000	50,000,000	40,000,000
CQFC Agreement	15,970,000	49,680,000	39,560,000	20,000,000	120,000,000	120,000,000	90,000,000
CQAC Agreement	11,310,000	106,180,000	99,770,000	490,000,000	2,400,000,000	2,400,000,000	1,800,000,000
CQNHK Agreement	17,820,000	63,590,000	55,710,000	26,000,000	170,000,000	170,000,000	130,000,000
CQPC Agreement	23,290,000	74,930,000	66,170,000	90,000,000	320,000,000	320,000,000	240,000,000

None of aggregate amounts above for the period from 20 September 2011 to 31 December 2011 and the year ended 31 December 2012 exceeded their respective annual caps for the corresponding period or year. It is expected that the respective amounts incurred for the year ended 31 December 2013 and the period from 1 January 2014 to 19 September 2014 will not exceed their respective caps for the corresponding year or period.

LETTER FROM THE BOARD

Projected transaction amounts

The Directors project that under each of the New Parts Supply Agreements, the value of the automobile parts to be provided by the relevant parties to the Company for the period from 20 September 2014 to 31 December 2014 and the two years ending 31 December 2015 and 2016 will not exceed the amounts set out below:

	Projected transaction amounts		
	Aggregate amounts (in RMB)		
	For the period from 20 September 2014 to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
New CQACL Agreement	5,000,000	21,000,000	25,000,000
New Qingling Group Agreement	113,000,000	269,000,000	351,000,000
New CQCC Agreement	8,000,000	36,000,000	46,000,000
New CQFC Agreement	15,000,000	90,000,000	110,000,000
New CQAC Agreement	44,000,000	235,000,000	305,000,000
New CQNHK Agreement	25,000,000	133,000,000	170,000,000
New CQPC Agreement	30,000,000	148,000,000	200,000,000

The Company expects that the projected transaction amounts of the New Qingling Group Agreement and New CQAC Agreement during the period from 20 September 2014 to 31 December 2014 and for the two years ending 31 December 2016 will increase significantly due to the following reasons:

- (i) the Company anticipates a significant growth in the sales of vehicles in 2014 as compared to that in 2013 based on its analysis and judgment on the market sentiment and its analysis on the competitiveness of its product portfolio as a whole, especially the nationwide implementation of the fourth phase of National Emission Standard for Commercial Vehicles (商用車國四排放標準) which may benefit the sales of technologically-advanced and high quality commercial vehicles produced by the Company under the brand name of Isuzu;
- (ii) the heavy duty trucks and their relevant engines that the Company is implementing will commence production by stages in 2014, and Qingling Group and its subsidiaries and CQAC will increase the production of high technology and value-added automobile parts specially produced for heavy-duty trucks, such as motor vehicle axles, steering knuckles, wheel hubs, brake drums, axles, cargo boxes and refrigerators, thus bringing a significant growth in the supply; and

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- (iii) for the reasons that: (i) the parts produced by vendors other than Qingling Group Companies may not comply with the standard in terms of quality control and actual product quality as required by Isuzu, which may affect the quality of vehicles; (ii) external vendors may not be able to ensure timely delivery to satisfy the production needs of the Company; (iii) the technology capability of external vendors may not be adequate to conduct technology enhancement for existing automobile parts as required after the launch of new products; and (iv) in order to realise technology enhancement, improve quality assurance, shorten delivery time, and cut down logistics costs, in 2013, the connected persons, by adjusting the product structure, shifted part of the parts production previously handled by non-Qingling Group vendors to Qingling Group and its relevant associates, which supplied those parts to the Company. This will increase the supplies of parts for a single vehicle both in terms of categories and quantities.

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) by reference to the statistics published in the "China Automotive Industry Yearbook" (中國汽車工業年鑒), according to which the average profit margin of the automobile industry in the PRC was 8.31% in 2012, whilst the average profit margins for automobile enterprises and automobile and motorcycle parts enterprises were 9.04% and 6.16% respectively in 2012.

The above profit margin of 6.16% for the automobile and motorcycle parts enterprises as quoted from "China Automotive Industry Yearbook" is an average level 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 "China Automotive Industry Yearbook", the Company and Qingling Group have also taken reference from the historical transaction prices of the parts in determining the maximum profit margin level. Furthermore, the profit margin of certain parts are relatively higher as it involves complex technologies and it is relatively difficult to implement quality control. As such, the Company and Qingling Group Companies agree to set the maximum profit margin for supplying 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 standards of different 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 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 relevant parts and 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 parts supplied by Isuzu to the Company for assembling Isuzu commercial vehicles, no comparable market price is available for those parts, which include cylinder blocks, cylinder heads, rod castings of Isuzu 4J\4Z\4K\4H\6H engines, specified axles for Isuzu 100P\600P\700P\F light-, medium-, and heavy-duty trucks, supplied under the New Parts Supply Agreements.

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

If there is no comparable market price, the consideration in respect of the corresponding parts supplied under the New Parts Supply Agreements will be determined by 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 to be payable by the Company under the New Parts Supply Agreements. The actual consideration to be payable by the Company will be determined by reference to the prevailing market conditions and in any event on terms no less favourable to the Company than terms offered to Independent Third Parties.

The Directors (including the independent non-executive Directors) are of the view that the New Parts Supply Agreements are on normal commercial terms, and that their terms are 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 caps in aggregate for the transactions under each of the New Parts Supply Agreements:

	Proposed annual caps Aggregate amount (in RMB)		
	For the period from 20 September 2014 to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
New Parts Supply Agreements	240,000,000	932,000,000	1,207,000,000

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Parts Supply Agreements and the aforesaid aggregated annual caps, which are set by reference to the above projected transaction amounts.

Basis of proposed annual caps

The aforesaid proposed annual caps are ascertained by reference to (i) the historical sales volume for the year ended 31 December 2012 and the relevant months ended 31 December 2013; (ii) the projected sales volume for the three years ending 31 December 2016; (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 new additional growth of sales expected to be achieved through establishing new distributors and expanding marketing branches in counties and towns with active market.

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With improvement of the market condition in the second half of 2013 and the Company's enhancement in market exploration and development by adopting the following measures, the Company expects that the sales volume for the three years ending 31 December 2016 will increase to a considerable extent and hence increase the Group's requirement for automobile parts:

- (i) continuous market exploration, focusing on keeping pace with the trend of industrial development and in-depth exploration of the emerging markets in counties and towns;
- (ii) continuous adoption of the localization of parts and accessories policy, implementation of technical improvement, and the strengthening and enhancement of the management of the Group to control the costs and enhance the competitiveness of the Group's products; and
- (iii) product quality enhancement by the Company and maintaining the positions of its products as being of high quality and mid-priced.

The Company currently anticipates that the total number of vehicles of new models or different specifications that may be launched and made available for sale by the Company for the three years ending 31 December 2016 will be in the range of about 50. However, these figures may vary depending on numerous factors, including the changes in environmental protection regulations in the PRC, the change in market demand and the progress of research and development of the new vehicles.

Currently, the Group sells its products through about 200 distributors in the PRC. The Group anticipates that the number of distributors through which the Group's products will be sold will increase substantially to about 250 in the three years ending 31 December 2016. Meanwhile, the Company will adopt the operation mode of "parent shop + branches" and expand its branch network in order to meet the market demand for the products. However, these figures may vary depending on numerous factors, including the change in market demand.

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, cars and other parts and components; (ii) casts of engine blocks, cylinder heads and main bearing covers and other parts and components; (iii) raw forgings of engine crankshafts, connecting rods and other parts and components; (iv) front and rear motor vehicle axles and other parts and components; (v) motor vehicle seats and other parts and components; (vi) plastic parts and other parts and components; and (vii) aluminum parts and other parts and components. Since the principal businesses of Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL include the production and retail of products mentioned in the items (i) to (vii) above; and the Qingling Group Companies produces such products in good quality and are willing to produce such products in accordance with the specifications of the Company, hence the Company purchases the said products from the 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 product parts must conform with Isuzu's standards. Each connected person has already obtained from Isuzu the technical know-how and specific equipments, hence they are capable of manufacturing based on the specifications of Isuzu's product parts. The Directors believe that other suppliers do not possess such technical know-how and specific equipments that Isuzu has, and that even if other suppliers may manufacture parts according to the same specifications, the quality of these products may not conform with the standards of Isuzu. Therefore, in view of the fact that the Group does not require any other products than those supplied by its connected persons, it is of the view that it would not be necessary to look for other sources.

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2. THE NEW CHASSIS SUPPLY AGREEMENT

Date	:	17 December 2013
Parties	:	(i) the Company; and (ii) Qingling Group
Term	:	From 5 August 2014 to 31 December 2016
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Products supplied by the Company to Qingling Group	:	Automobile chassis and related components
Price determination	:	By reference to the market prices of the chassis and related components
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 are to be determined.

Pursuant to the New Chassis Supply Agreement, the Company will enter into definitive agreements 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 without limitation, prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of the automobile chassis and related components.

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

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Historical transaction amounts

The actual amount paid in respect of the transactions contemplated under the Chassis Supply Agreement and the annual caps for such payments are as follows:

	Actual amounts received (in RMB)			Annual caps (in RMB)			
	For the period from 5 August 2011 to 31 December 2011	For the year ended 31 December 2012	For the period from 1 January 2013 to 30 November 2013	For the period from 5 August 2011 to 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the period from 1 January 2014 to 4 August 2014
Chassis Supply Agreement	493,920,000	1,557,370,000	1,562,970,000	900,000,000	2,800,000,000	2,800,000,000	1,900,000,000

None of the actual amounts received above exceeded their respective annual caps for the period from 5 August 2011 to 31 December 2011 and for the year ended 31 December 2012. It is expected that the amount for the year ended 31 December 2013 and for the period from 1 January 2014 to 4 August 2014 will not exceed the annual cap for the corresponding year or period.

Basis of consideration

The consideration under the New Chassis Supply Agreement is 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. In determining the market price of the chassis and the relevant parts, the Company will make reference to the price of the chassis and the relevant parts with similar specifications, technology and quality requirements in the automobile market.

The profit margin level of automobile chassis and related components supplied by the Company to Qingling Group under the New Chassis Supply Agreement is consistent with the profit margin level of same type of products sold to Independent Third Parties.

The Directors (including the independent non-executive Directors) are of the view that the New Chassis Supply Agreement is on normal commercial terms, and that their terms are 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 caps for the transactions under the New Chassis Supply Agreement:

	Proposed annual caps Aggregate amount (in RMB)		
	From 5 August 2014 to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
New Chassis Supply Agreement	950,000,000	2,500,000,000	2,800,000,000

The Company will seek approval from the Independent Shareholders in respect of the transactions under the New Chassis Supply Agreement and the aforesaid annual caps.

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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 by reference to the actual amounts of transactions received by the Company under the Chassis Supply Agreement and the anticipated market demand in relation to the automobile chassis and related components for the periods/years under the New Chassis Supply Agreement.

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 automobiles for transportation and cold-storage vehicles), so as to meet the customized 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.

Other principles considered by the Company in relation to the operations of the New Parts Supply Agreements and the New Chassis Supply Agreement

To ensure that the transactions contemplated under the New Parts Supply Agreements and the New Chassis Supply Agreement are on terms no less favourable to the Company than terms offered by the Qingling Group Companies to Independent Third Parties:

- (i) the said agreements specifically provide that transactions contemplated thereunder to be on terms no less favourable to the Company than terms offered to Independent Third Parties;
- (ii) the Company will determine the price of the automobile parts and the chassis by reference to the average profit margin in the market or based on the principle of the cost plus a margin. The underlying costs include raw materials, accessories, depreciation, salary, motion, cutters/tools, technological consumption, equipment maintenance, management fees, and financial fees etc. With the assistance of the relevant procurement experience of its procurement department, the Company gathers information on market prices and profit margin levels of automobile parts and chassis in the industry through industrial associations and independent autoparts suppliers in the PRC;
- (iii) the Company possesses a professional technical team which has market intelligence regarding technology, quality, pricing and profit margin level of different types of automobile parts (including statistics obtained from the “China Automotive Industry Yearbook”). The professional technical team also has market intelligence of the pricing level of various automobile parts including the plastic parts, aluminium casting parts and forging parts in the industry. The professional technical team will therefore be able to make business judgment for and provide professional opinions to the Company when negotiating with the vendors over the price;
- (iv) the Company will also determine the prices of parts and components by reference to the corresponding historical prices. The Company, when determining the prices of the automobile parts and chassis with the Qingling Group Companies, would request Qingling Group and its relevant associates to minimise 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 prices of different parts will remain relatively the same with that in the past three years, in spite of the continuous increase in costs such as raw materials, fuel, salary in the recent years;

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- (v) the Qingling Group Companies regularly provide to the Company with estimated costs of automobile parts and chassis supplied under the relevant agreements upon which the parties further negotiate to determine the prices of automobile parts and chassis with reference to the relevant industrial standard and experience; and
- (vi) the Company has access to the quarterly operating statements and audited annual financial statements of the Qingling Group Companies, enabling it to know well the actual profit margin level achieved by the Qingling Group Companies.

3. THE NEW ISUZU SUPPLY AGREEMENT

Date	:	17 December 2013
Parties	:	(i) Isuzu; and (ii) the Company
Term	:	From 24 June 2014 to 31 December 2016
Nature of the transaction	:	Supply of automobile parts and components by Isuzu to the Company, including but not limited to injectors, ECU, high-pressure common rail pipe and other automobile components for engines and vehicles assembly
Condition precedent	:	Conditional upon approval by the Independent Shareholders by poll
Payment term	:	Payment on delivery

The New Isuzu Supply Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and Isuzu. Pursuant to the New Isuzu Supply Agreement, the Company will enter into definitive agreements 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, prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of the automobile parts, components and/or accessories. The Company and Isuzu agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms fair and reasonable to the Company. Isuzu also undertakes that the terms offered to the Company shall be no less favourable than terms offered to Independent Third Parties in the market where the Company locates.

In the event that a competitor (including a potential competitor) of Isuzu holds Shares of the same number as 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 notice to the Company.

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Historical transaction amounts

The following table sets out the historical transaction amounts between the Company and Isuzu in respect of the purchase and supply of automobile parts and components and/or accessories under the Isuzu Supply Agreement for the relevant periods or years:

	Actual Amounts Incurred (in RMB)			Annual Caps (in RMB)			
	For the period from 24 June 2011 to 31 December 2011	For the year ended 31 December 2012	For the period from 1 January 2013 to 30 November 2013	For the period from 24 June 2011 to 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the period from 1 January 2014 to 23 June 2014
Isuzu Supply Agreement	731,500,000	1,123,310,000	1,008,000,000	1,390,000,000	4,400,000,000	4,400,000,000	2,200,000,000

None of aggregate amounts above exceeded their respective annual caps for the period from 24 June 2011 to 31 December 2011 and for the year ended 31 December 2012. It is expected that the aggregate amount for the year ended 31 December 2013 and the period from 1 January 2014 to the expiry date of the agreement (i.e. 23 June 2014) will not exceed the respective caps for the corresponding year or period.

Basis of consideration

As there are no sufficient comparable transactions, the consideration in respect of the New Isuzu Supply Agreement is determined by reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 10%, which is determined by reference to the statistics published in the “China Automotive Industry Yearbook” (中國汽車工業年鑒) (2012: the average profit margins for automobile enterprises and automobile and motorcycle parts enterprises in PRC were 9.04% and 6.16% respectively). The Company noted that the maximum profit margin of 10% determined by the Company and Isuzu is slightly higher than the average level of the industry. 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 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. In order to ensure that the vehicles produced and sold under the brand name of Isuzu reach the technology and performance standards as required, the Company needs to purchase relevant automobile parts and components from Isuzu. The Company also made reference to the estimated prices of the same automobile parts and components sold by Isuzu in the domestic markets of Japan (the determination of such estimated prices will be further discussed on page 32 of this circular) to compare and determine the purchase price from Isuzu. 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 price of the same in Japan, together with certain additional fees (e.g. packaging and transportation fees), can serve as references for assessing the reasonableness of the price charged by Isuzu. On the basis of the above factors, the Company 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.

As Isuzu would not provide the Company with information on the profit margin level of its products sold in the domestic market of Japan, the price of automobile parts and components purchased by the Company from Isuzu will be determined on the basis of the actual or reasonable cost (whichever is the lowest) of those automobile parts and components plus a maximum profit margin of 10%. In determining the prices of the relevant parts, the Company will also make reference to (i) the estimated prices of the

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same automobile parts and components sold in the domestic market of Japan; and (ii) additional fees required, such as packaging and transportation fees, so as to compare and determine the purchase prices of automobile parts and components supplied by Isuzu. As such, the Company believes that the purchase prices of parts to be supplied under the New Isuzu Supply Agreement will not be less favourable than that of similar automobile parts and components supplied by Isuzu to Independent Third Parties in the domestic market of Japan.

The consideration payable by the Company under the New Isuzu Supply Agreement was determined after arm's length negotiations between the parties thereto and on terms no less favourable than terms offered by Isuzu to Independent Third Parties. The Directors (including the independent non-executive Directors) are of the view that the New Isuzu Supply Agreement is on normal commercial terms, and that their terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Proposed annual caps

The Directors estimate or project that under the New Isuzu Supply Agreement, the value of transactions between Isuzu and the Company will not exceed the amounts set out below:

	Proposed annual caps Aggregate amount (in RMB)		
	For the period from 24 June 2014 to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
New Isuzu Supply Agreement	830,000,000	2,150,000,000	2,800,000,000

Basis of proposed annual caps

The aforesaid annual Caps for the New Isuzu Supply Agreement are set by the Board by reference to (i) the historical sales volume; (ii) the projected sales volume for the duration of the relevant agreements, taking into account, inter alia, the overall business environment and specific growth strategies; 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 expected expansion of sales network through distributors in the PRC.

Reasons for entering into the New Isuzu Supply Agreement

For its business, the Company needs to purchase automobile parts and components from Isuzu from time to time, and requires Isuzu to supply skills and technical know-how in order to fulfill product standards and specifications required by Isuzu. Hence, the two parties entered into the New Isuzu Supply Agreement.

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4. THE NEW SUPPLY AGREEMENT

Date	:	17 December 2013
Parties	:	(i) The Engine JV Company; and (ii) the Company.
Term	:	From the date upon obtaining all relevant approvals and/or completing all other procedures in accordance with all applicable laws, rules and regulations or 31 March 2014 (whichever is later) to 31 December 2016.
Nature of the transaction	:	The Company will provide parts of engines and raw materials (including parts for the power systems of automobiles) to the Engine JV Company for assembling and composing engine assemblies, and the Engine JV Company will provide engine assemblies and their parts to the Company for the assembling and maintenance of automobiles.
Price determination	:	The actual selling price of the products to be supplied/purchased and other related terms in any further specific agreement shall be the actual costs of the supplying party plus a profit margin of not exceeding 10%. The actual profit margin level shall be finalised by both parties on the basis that it is fair and reasonable to both parties.
Payment terms	:	Payment within half a month after delivery

Pursuant to the New Supply Agreement, the parties shall enter into further specific agreement(s) with detailed terms in accordance with the underlying principles under the New Supply Agreement, specifying the orders making procedure, method of delivery, price, payment methods, quantity, standard of quality, and other terms and conditions in relation to the supply and purchase of specific type of products.

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

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Historical transaction amounts

The following table sets out the historical aggregate transaction amounts between the Company and the Engine JV Company in respect of the supply of parts of engines and raw materials from the Company to the Engine JV Company, and the supply of engine assemblies and their parts from the Engine JV Company to the Company under the Supply Agreement:

Actual amount incurred (in RMB)			Annual caps (in RMB)			
For the period from 1 April 2011 to 31 December 2011	For the year ended 31 December 2012	For the period from 1 January 2013 to 30 November 2013	For the period from 1 April 2011 to 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the period from 1 January 2014 to 31 March 2014
(a) the value of engine assemblies and their parts from the Engine JV Company to the Company						
1,241,590,000	1,474,650,000	1,263,790,000	1,800,000,000	4,000,000,000	4,000,000,000	1,000,000,000
(b) the value of engine parts and raw materials from the Company to the Engine JV Company						
783,010,000	1,048,630,000	926,770,000	1,600,000,000	3,000,000,000	3,000,000,000	800,000,000
Aggregate						
2,024,600,000	2,523,280,000	2,190,560,000	3,400,000,000	7,000,000,000	7,000,000,000	1,800,000,000

None of aggregate amounts above exceeded their respective annual caps for the period from 1 April 2011 to 31 December 2011 and for the year ended 31 December 2012. It is expected that the aggregate amount for the year ending 31 December 2013 and the period from 1 January 2014 to 31 March 2014 will not exceed the respective caps for the corresponding periods. If the aggregate amount for the year ending 31 December 2013 or the aggregate amount for the period from 1 January 2014 to the expiry of the Supply Agreement is likely to exceed the respective caps for the corresponding periods, the Company will take necessary steps to ensure compliance with all applicable rules under Chapter 14A of the Listing Rules.

Basis of consideration

As there is no sufficient comparable transactions, the consideration is determined by the actual costs of the supplying party plus a profit margin of not exceeding 10%. The Company has taken into account statistics published in the “China Automotive Industry Yearbook” (中國汽車工業年鑒) when setting the 10% limit for the profit margin level. According to the 2012 China Automotive Industry Yearbook, the average profit margin for automotive industry in the PRC is 8.31% in 2012, while the profit margin for automobile enterprises and automobile and motorcycle parts enterprises are 9.04% and 6.16% respectively in 2012.

Given that the engine assemblies and parts to be supplied by the Engine JV Company to the Company under the New Supply Agreement are of high technology level and good quality and such engine assemblies and parts are the core parts of the Isuzu commercial vehicles, and also, as the Company considers that the quality of the engine assemblies and parts provided by the Engine JV Company are higher than the market level and comply with the technology and performance standard as required for Isuzu commercial vehicles, the Company is of the view that setting the maximum profit margin level for the supply of the engine assemblies and parts by the Engine JV Company to the Company at 10% conforms with the industry standard. As the New Supply Agreement was entered into between the Company and the Engine JV Company after arm’s length negotiations, the Company and the Engine JV Company also agreed to set the maximum profit margin level for the supply of the engine parts and raw materials by the Company to the Engine JV Company at 10% on the same basis.

The Company will only supply engine parts and raw materials as those supplied under the New Supply Agreement to (i) the Engine JV Company for assembling and composing engine assemblies; and (ii) Qingling Motors Outlets for automobile maintenance and parts replacement purposes. Qingling Motors Outlets are the only Independent Third Parties to which such engines parts and raw materials are sold. As

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the engine parts and raw materials supplied by the Company to the Engine JV Company will be used for assembling and composing engine assemblies, and such engine assemblies will subsequently be sold back to the Company exclusively by the Engine JV Company, the engine parts and raw materials are sold by the Company to the Engine JV Company at cost so as to lower the prices of the engine assemblies to be sold by the Engine JV Company to the Company. As such, the profit margin of the same type of products sold by the Company to Qingling Motors Outlets will be of a higher level.

Proposed annual caps

The proposed annual caps for the New Supply Agreement during the term of such agreement are as follows:

Proposed annual caps Aggregate amount (in RMB)			
	For the period from 31 March 2014 to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
The New Supply Agreement			
(a) the value of engine assemblies and their parts from the Engine JV Company to the Company	1,690,000,000	3,120,000,000	4,000,000,000
(b) the value of engine parts and raw materials from the Company to the Engine JV Company	1,250,000,000	2,300,000,000	2,960,000,000
Aggregate	<u>2,940,000,000</u>	<u>5,420,000,000</u>	<u>6,960,000,000</u>

Basis of proposed annual caps

The said proposed annual caps for the New Supply Agreement are determined with reference to (i) the establishment and release of the production capacity of the Group's new heavy-duty vehicles; and (ii) the expected growth of the Company from the effective date of the New Supply Agreement to the end of 2016 in view of the economic growth in the PRC and the growth in demand for engines and their parts.

Reasons for entering into the New Supply Agreement

To enjoy the economy 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 the business, such as production of engines, marketing, provision of repair and maintenance services, testing services etc. The Engine JV Company is principally engaged in the manufacturing and sale of vehicle-used engines and their parts. The Directors believe that provision of engines and their parts from the Engine JV Company to the Company and the provision of engine parts and raw materials from the Company to the Engine JV Company would facilitate the operation of the Group and minimise the costs of the Group in acquiring similar products from Independent Third Parties.

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The consideration payable by the relevant parties under the New Supply Agreement is determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the New Supply Agreement is on normal commercial terms, and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. THE NEW COMPANY SUPPLY AGREEMENT

Date	:	17 December 2013
Parties	:	(i) Isuzu; and (ii) the Company
Term	:	From 24 June 2014 to 31 December 2016
Nature of the transaction	:	Supply of accessory sets and other automobile parts and components by the Company to Isuzu, including but not limited to transmission parts such as gears, shafts and clutches
Payment term	:	Payment within 40 days after delivery

The New Company Supply Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Company and Isuzu. Pursuant to the New Company Supply Agreement, the Company will enter into definitive agreements from time to time to provide for detailed terms of each single transaction in accordance with the principles set out in the New Company Supply Agreement. Such detailed terms include, but without limitation, prices, payment and settlement terms, quantities, qualities, delivery and inspection of products and other terms and conditions in relation to the provision of the automobile parts, components and/or accessories. The Company and Isuzu agree that such detailed terms shall be on normal commercial terms or, if there is no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms fair and reasonable to the Company. Isuzu also undertakes that the terms offered to the Company shall be no less favourable than terms offered to Independent Third Parties in the market where Isuzu locates.

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

Historical transaction amounts

The following table sets out the historical transaction amounts between the Company and Isuzu in respect of the purchase and supply of automobile parts and components and/or accessories under the Company Supply Agreement for the relevant periods or years:

	Actual Amounts Received (in RMB)			Annual Caps (in RMB)			
	For the period from 24 June 2011 to 31 December 2011	For the year ended 31 December 2012	For the period from 1 January 2013 to 30 November 2013	For the period from 24 June 2011 to 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the period from 1 January 2014 to 23 June 2014
Company Supply Agreement	34,020,000	43,420,000	32,210,000	130,000,000	250,000,000	250,000,000	125,000,000

LETTER FROM THE BOARD

None of aggregate amounts above exceeded their respective annual caps for the period from 24 June 2011 to 31 December 2011 and for the year ended 31 December 2012. It is expected that the aggregate amounts for the year ending 31 December 2013 and the period from 1 January 2014 to the expiry date of the agreement (i.e. 23 June 2014) will not exceed the respective caps for the corresponding year or period.

Basis of consideration

The prices of accessory sets and other automobile parts and components to be supplied by the Company to Isuzu will be determined by arm's length negotiations between the parties. The Company will only supply accessory sets and other automobile parts and components as those supplied under the New Company Supply Agreement to (i) Isuzu for the manufacturing of automobiles; and (ii) Qingling Motors Outlets for automobile maintenance and parts replacement purposes. Isuzu is the only party in the Japanese market to which such accessory sets and other automobile parts and components are sold, while Qingling Motors Outlets are the only Independent Third Parties in the PRC to which such products are sold. The prices for exporting accessory sets and other automobile parts and components by the Company to Isuzu are prices offered to overseas manufacturers, while the prices for supplying the same to Qingling Motors Outlets are domestic retail prices. Given that the locations of the market and the sectors of industry (i.e. manufacturers and retailers) for the sale of such products to Isuzu and Qingling Motors Outlets are different, different pricing strategies will be applied by the Company and a direct comparison between the prices of the two would be not be appropriate. As such, there is no sufficient comparable transaction for the accessory sets and other automobile parts and components supplied under the New Company Supply Agreement.

As there is no sufficient comparable transaction, the consideration in respect of the New Company Supply Agreement is determined by reference to the actual or reasonable costs (whichever is lower) incurred plus a profit margin of not more than 10%, which is determined by reference to the statistics published in the "China Automotive Industry Yearbook" (中國汽車工業年鑒) (2012: the average profit margins for automobile enterprises and automobile and motorcycle parts enterprises in PRC were 9.04% and 6.16% respectively). As the agreements entered between the Company and Isuzu were negotiated on arm's length basis, when determining the consideration of the New Company Supply Agreement, the Company and Isuzu have also made reference to the maximum profit margin level of 10% for the transactions contemplated under the New Isuzu Supply Agreement.

The consideration payable by Isuzu under the New Company Supply agreement was determined after arms length negotiations between the parties thereto and on no less favourable terms offered to the Company than terms offered to Independent Third Parties. The Company exports products to Isuzu under the New Company Supply Agreement and the maximum profit margin level for the exported products being higher than the average profit margin level for the automobile and motorcycle parts enterprises as set out in the "China Automotive Industry Yearbook" was agreed on arm's length negotiations between the parties thereto and the terms in each of the relevant contracts (such as the New Isuzu Supply Agreement) were determined on the same basis.

The Directors (including independent non-executive Directors) are of the view that the New Company Supply Agreement is on normal commercial terms and that its terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Proposed annual caps

The Directors estimate or project that under the New Company Supply Agreement, the value of transactions between Isuzu and the Company will not exceed the amounts set out below:

	Projected transaction amounts (in RMB)		
	For the period from 24 June 2014 to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
New Company Supply Agreement	43,000,000	177,230,000	230,400,000

Basis of proposed annual caps

The aforesaid proposed annual caps for the New Company Supply Agreement are set by the Board by reference to (i) the estimated amounts of related products required by Isuzu from the Company for the production of Isuzu's newly developed products from 2015 to 2016; (ii) the projected sales volume for the duration of the relevant agreements taking into consideration, inter alia, the expected increase in sales volume of Isuzu products in overseas market and hence the increase in needs of parts and components; and (iii) the demand for overseas export business as explored and implemented by Isuzu and the Company from time to time.

In addition, the Company has exported parts to Isuzu for years, and the quality, cost and delivery time (QCD) of its products have attained competitiveness on an international level. Being able to produce products that meet the technology and quality standards of Isuzu, the Company has also gained trust from clients by reducing costs and shortening the delivery time. As a strategic partner of the Company, Isuzu is willing to further open its overseas market to the Company, provided that the Company is able to show a competitive edge in QCD, thereby increasing the Company's exports and bringing benefits to both parties. Therefore, the Company expects the transaction amounts under the New Company Supply Agreement will increase significantly, thereby increasing the respective annual caps accordingly. In light of the above factors, the Company has significantly increased the annual caps for the two years ending 31 December 2016 under the New Company Supply Agreement to cope with the anticipated future business expansion of the Company.

Reasons for entering into the New Company Supply Agreement

As the parts and components manufactured by the Group fulfill the international standards as required by Isuzu and the prices of the Group's products are competitive, Isuzu wishes to purchase parts and components from the Group. Furthermore, the Company aims to enter the international market, and hence the parties entered into the New Company Supply Agreement.

Other principles considered by the Company in relation to the operations of the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement

To ensure that the transactions contemplated under the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement are on terms no less favourable to the Company than terms offered by Isuzu and the Engine JV Company to Independent Third Parties, the said agreements specifically provide that transactions contemplated thereunder to be on terms no less favourable to the Company than terms offered to Independent Third Parties.

LETTER FROM THE BOARD

In addition, since no authorisation is given to Independent Third Parties in the market for the production of most of the parts supplied by Isuzu to the Company for assembling Isuzu commercial vehicles, therefore, no comparable market price is available for such parts in the domestic market of the PRC. In determining the price of such parts, the Company will ensure that the price of parts procured from Isuzu is determined on normal commercial terms, and is fair and reasonable to the Company by reference to the price of the same parts sold by Isuzu in the domestic market of Japan:

- 1) first of all, a benchmark price will be determined according to the selling price of the same model of vehicle in the market of Japan, then the estimated price of each relevant autopart will be calculated according to the value allocation table of the vehicle provided by Isuzu. The value allocation table of a vehicle shows the automobile parts required for manufacturing that particular model of vehicle, as well as the percentage of each of the automobile parts in the vehicle in terms of value. Therefore, the value of each automobile part can be estimated by multiplying the selling price of a particular model of vehicle by the relevant percentage of the automobile part in the vehicle in terms of value as shown in the value allocation table;
- (2) packaging and transportation fees incurred by Isuzu will then be added to the estimated price and that becomes the price that the Company uses to compare with when determining whether the purchase price of a particular automobile part from Isuzu is fair and reasonable.

Further, the Engine JV Company is owned as to 50% and 50% respectively by the Company and Isuzu and half of the directors of the Engine JV Company were nominated by the Company. As such, the Company will be able to ensure that the transactions contemplated under the New Supply Agreement are on normal commercial terms or on terms no less favourable than terms offered to/by Independent Third Parties.

In addition, the Company, when entering into transactions under the New Company Supply Agreement, will make reference to the historical price of certain parts and components and will base on the principle of cost plus a margin, to ensure the terms for supplying parts to Isuzu are fair and reasonable to the Company. Furthermore, the Company is informed by Isuzu that the quality standards, conditions of delivery and inspection methods for Isuzu procuring parts from other overseas vendors are consistent with those procurement terms offered to the Company with no differential treatment.

Internal control procedures adopted by the Company for the implementation of Non-exempt CCT Agreements

The Company has adopted the following internal control procedures to ensure the terms of the Non-exempt CCT Agreements are fair and reasonable and on normal commercial terms:

- 1) the Company has adopted and implemented a management system on connected transactions. According to the system, the planning department of the Company is responsible for conducting reviews on the compliance with relevant laws, regulations, company policies and the Listing Rules of the Non-exempt CCT Agreements. In addition, the finance department, procurement department and other relevant operation department of the Company are jointly responsible for evaluating the transaction terms under the Non-exempt CCT Agreements, in particular, the fairness of the pricing terms under each agreement; and
- (2) the Independent Financial Adviser has reviewed the Non-exempt CCT Agreements pursuant to the Listing Rules. The independent non-executive Directors have also reviewed and will continue to review the Non-exempt CCT Agreements 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 auditor of the Company will also conduct an annual review on the pricing and annual cap of such agreements.

LETTER FROM THE BOARD

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 department 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 manufacturer 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 reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to the Company is no less favourable than those offered by the vendor to an Independent Third Party.

In order to facilitate the abovementioned reviewing procedures, the planning department of the Company possesses a professional team which has market intelligence regarding technology, quality, pricing and profit margin level of different types of parts (including statistics obtained from the "China Automotive Industry Yearbook" published by the China Association of Automobile Manufacturers). With the assistance of the relevant procurement experience of its procurement department, the Company also gathers information on market prices and profit margin levels of parts or raw materials in the industry through industrial association and independent autoparts suppliers in the PRC, which could be then used by the Company for comparison.

II. REQUIREMENTS UNDER THE LISTING RULES

As at the Latest Practicable Date, Qingling Group is a substantial shareholder of the Company holding approximately 50.10% of the entire issued share capital of the Company and CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL are owned as to 75%, 75%, 80%, 55.8%, 75.15% and 72.43% respectively by Qingling Group, they are associates of Qingling Group. Therefore, Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL are all connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of each of the New Parts Supply Agreements and the New Chassis Supply Agreement therefore constitutes continuing connected transactions of the Company under the Listing Rules.

As at the Latest Practicable Date, Isuzu is a substantial shareholder of the Company holding approximately 20.00% of the entire issued share capital of the Company and is therefore a connected person of the Company. The entering into of each of the New Isuzu Supply Agreement and the New Company Supply Agreement with Isuzu therefore constitutes continuing connected transactions of the Company under the Listing Rules. The Engine JV Company is owned as to 50% and 50% respectively by the Company and Isuzu. Consequently, the Engine JV Company is a connected person of the Company under the Listing Rules. The entering into of the New Supply Agreement therefore also constitutes continuing connected transactions of the Company under the Listing Rules.

LETTER FROM THE BOARD

Non-exempt Continuing Connected Transactions

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions under (i) the New Parts Supply Agreements as aggregated in accordance with Rule 14A.25 of the Listing Rules; (ii) the New Chassis Supply Agreement; (iii) the New Isuzu Supply Agreement; and (iv) the New Supply Agreement and the New Company Supply Agreement as aggregated in accordance with Rule 14A.25 of the Listing Rules will, on an annual basis, be more than 5%, such continuing connected transactions are subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47, the annual review requirements set out in Rules 14A.37 to 14A.40 and also the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

If the annual value of each of the transactions contemplated under the Non-exempt CCT Agreements is likely to exceed the respective proposed cap or there is any material change to 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.

III. INDEPENDENT SHAREHOLDERS' APPROVAL

In view of the above, the Company will seek the approval of the Independent Shareholders in relation to the transactions contemplated under the Non-exempt CCT Agreements. Ordinary resolutions will be proposed at the EGM to approve by way of poll the Non-exempt Continuing Connected Transactions and their respective annual caps.

As at the Latest Practicable Date, Qingling Group is a substantial shareholder of the Company holding approximately 50.10% of the entire issued share capital of the Company. 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 Parts Supply Agreements, the New Chassis Supply Agreement and their respective annual caps.

As at the Latest Practicable Date, Isuzu is a substantial shareholder of the Company holding approximately 20.00% of the entire issued share capital of the Company. Isuzu also holds as to 50% of the Engine JV Company; Isuzu and Isuzu China (being a wholly-owned subsidiary of Isuzu) hold approximately 21.54% of CQCC, 23.21% of CQFC, 20% of CQAC, 23% of CQACL, 19% of CQPC and 5% of CQNHK. In view of the said interest held by Isuzu and Isuzu China in the Engine JV Company and relevant Qingling Group Companies, Isuzu and its associates will abstain from voting on ordinary resolutions to be proposed at the EGM in respect of the New Parts Supply Agreements (other than the New Qingling Group Agreement), the New Isuzu Supply Agreement, the New Supply Agreement, the New Company Supply Agreement and their respective annual caps.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Non-exempt Continuing Connected Transactions and the respective 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.

Hercules 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 terms of the Non-exempt Continuing Connected Transactions and the respective 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.

LETTER FROM THE BOARD

IV. GENERAL

The Company is principally engaged in the production and sales of Isuzu trucks, multi-purposes vehicles, pick-up trucks, other vehicles and automobile parts and accessories.

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

Qingling Group is principally engaged in the manufacturing and sales of and the 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 aluminum automobile parts and other aluminum parts and components.

The Engine JV Company is principally engaged in the manufacturing and sale of vehicle-used engines and their parts.

None of the Directors has a material interest in the transactions under the Non-exempt CCT Agreements and therefore none of them are required to abstain from voting on the relevant board resolutions approving the same.

V. THE EGM

A notice convening the EGM is set out on pages 64 to 67 of this circular. The EGM will held at Conference Hall, 1st Floor of Qingling Motors Co. Ltd Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the PRC on Tuesday, 22 April 2014 at 10:00 a.m. or any adjournment thereof.

A reply slip and a proxy form for use in the EGM are enclosed. Whether or not you are able 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 hand, by post or by fax (at fax no. (86) 23-68830397) on or before Wednesday, 2 April 2014. The proxy form should be returned to the legal address of the Company 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, PRC (in the case of proxy form of holders of Domestic Shares) or to the Company's H Share Registrars, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the

LETTER FROM THE BOARD

case of proxy form of holders of H Shares) as soon as possible and in any event not later than 24 hours before the time appointed for holding of the EGM or 24 hours before the time appointed for taking the poll 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.

Shareholders whose names appear on the register of Shareholders of the Company on Sunday, 23 March 2014 are entitled to attend and vote at the EGM. The register of Shareholders of the Company will be closed from Sunday, 23 March 2014 to Tuesday, 22 April 2014, both days inclusive, during such period no transfer of shares of the Company will be registered.

Shareholders who intend to attend any shareholders' 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 they intend to attend the general meeting represent holders of not more than one half of the total number of shares with voting rights, the Company shall within 5 days inform the 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 general meeting may be convened after such notification has been published.

VI. 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. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

VII. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions and the respective annual caps are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions and the respective annual caps.

The Independent Board Committee, having taken into account the recommendations from Hercules Capital Limited, the Independent Financial Adviser, considers that the Non-exempt Continuing Connected Transactions and the respective annual caps are on normal commercial terms, fair and reasonable and in the best 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 Continuing Connected Transactions and the respective annual caps.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 37 to 38 of this circular and the letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and Independent Shareholders in connection with the Non-exempt Continuing Connected Transactions and the respective annual caps and the principal factors and reasons considered by them in arriving such recommendations set out on pages 39 to 60 of this circular.

Yours faithfully,
For and on behalf of
Qingling Motors Co. Ltd
Wu Nianqing
Company Secretary

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD.

(a Sino-foreign joint venture joint stock 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. Xu Bingjin

Mr. Liu Tianni

5 March 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 5 March 2014 (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 Continuing Connected Transactions and the respective 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.

Having taken into account the recommendations from Hercules Capital Limited, the Independent Financial Adviser, and in particular the principal factors set out in the letter from the Independent Financial Adviser, we consider that the Non-exempt Continuing Connected Transactions and the respective annual caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the best 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 Continuing Connected Transactions and the respective annual caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The letter from the Independent Financial Adviser containing its recommendations to us and the Independent Shareholders, and the principal factors and reasons taken into account by the Independent Financial Advisor in arriving at such recommendations is set out on pages 39 to 60 of the Circular.

Yours faithfully,
The Independent Board Committee of
Qingling Motors Co. Ltd
Long Tao, Song Xiaojiang, Xu Bingjin, Liu Tianni
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hercules Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

5 March 2014

*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 Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement, details of which are set out in the “Letter from the Board” contained in the circular dated 5 March 2014 to the shareholders of the Company (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 17 December 2013, the Company entered into various agreements with CQACL, Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC, Isuzu and the Engine JV Company (collectively, the “Connected Persons”) respectively in relation to (i) the provision of parts of engines and raw materials (including parts for the power systems of automobiles), automobile chassis and related components and accessory sets and other automobile parts and components including, but not limited to, transmission parts such as gears, shafts and clutches by the Group to the respective Connected Persons; and (ii) the supply of certain engine assemblies, automobile parts and components and related products by the respective Connected Persons to the Group for the period from the respective commencement date of the agreements to 31 December 2016.

As at the Latest Practicable Date, Qingling Group was a substantial Shareholder holding approximately 50.10% of the entire issued share capital of the Company, and CQCC, CQFC, CQAC, CQNHK, CQPC and CQACL were owned as to 75.00%, 75.00%, 80.00%, 55.80%, 75.15% and 72.43% respectively by Qingling Group and are associates of Qingling Group. The Engine JV Company was owned as to 50.00% by the Company and 50.00% by Isuzu, while Isuzu and Isuzu China, a wholly-owned subsidiary of Isuzu, holding approximately 21.54%, 23.21%, 20.00%, 23.00% 19.00% and 5.00% of CQCC, CQFC, CQAC, CQACL, CQPC and CQNHK respectively, and Isuzu was a substantial Shareholder holding approximately 20.00% of the entire issued share capital of the Company. Accordingly, Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC, CQACL, the Engine JV Company and Isuzu are all connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the entering into of the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement constitute continuing connected transactions of the Company under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the continuing connected transactions contemplated under (i) the New Parts Supply Agreements as aggregated in accordance with Rule 14A.25 of the Listing Rules; (ii) the New Chassis Supply Agreement; (iii) the New Isuzu Supply Agreement; and (iv) the New Supply Agreement and the New Company Supply Agreement as aggregated in accordance with Rule 14A.25 of the Listing Rules will, on an annual basis, be more than 5%, such continuing connected transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules and also the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, Qingling Group and its associates are required to abstain from voting on the proposed resolutions approving the New Parts Supply Agreements and the New Chassis Supply Agreement at the EGM while Isuzu and its associates are required to abstain from voting on the proposed resolutions approving the New Parts Supply Agreements (other than the New Qingling Group Agreement), the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Long Tao, Mr. Song Xiaojian, Mr. Xu Bingjin and Mr. Liu Tianni, has been formed to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business and the terms of which are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards and how to vote in relation to the Non-exempt Continuing Connected Transactions.

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 to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or the 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 purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subjects of, and parties to, the agreements of the Non-exempt Continuing Connected Transactions. 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 market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons that we have taken into consideration in assessing the Non-exempt Continuing Connected Transactions and arriving at our opinion are set out as follows:

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

(a) Background of the Company, Isuzu, the Engine JV Company and Qingling Group

The Group is principally engaged in the production and sale of Isuzu trucks, pick-up trucks, multi-purpose vehicles, other vehicles and 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 substantial Shareholder holding approximately 50.10% of the entire issued share capital of the Company, is principally engaged in the manufacturing and sale of, and the development of, new products in relation to motor vehicles and their spare parts and accessories, and the provision of technical advisory services.

CQACL, CQCC, CQFC, CQAC, CQNHK and CQPC, associates of Qingling Group, are principally engaged in the manufacturing and sale of (i) aluminium automobile parts and other aluminium parts and components; (ii) automobile parts and components and cast parts; (iii) automobile parts and components and forging parts; (iv) motor vehicle axles and other parts and components; (v) motor vehicle seats, interior accessories and other seats; and (vi) plastic automobile parts and other plastic parts components, respectively.

The Engine JV Company is a sino-foreign equity joint venture 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 manufacturing and sale of vehicle-used engines and their parts.

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

The Group has been purchasing various parts of engines and engine assemblies, automobile parts and components and related products from the Engine JV Company, CQACL, Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC and Isuzu, and supplying various parts of engines and raw materials (including parts for the power systems of automobiles) to the Engine JV Company, automobile chassis and related components to Qingling Group and various accessory sets and other automobile parts and components to Isuzu under the Supply Agreement, the Parts Supply Agreements, the Chassis Supply Agreement, the Isuzu Supply Agreement and the Company Supply Agreement. The above-mentioned agreements shall expire in around March, June, August or September 2014. The Directors wish to continue such transactions on an on-going basis after the expiry of the existing agreements. As such, the Company entered into the New Parts Supply Agreements (which comprises 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), the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement with CQACL, Qingling Group, CQCC, CQFC, CQAC, CQNHK, CQPC, Qingling Group, Isuzu, the Engine JV Company and Isuzu respectively on 17 December 2013.

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

The vehicles manufactured by the Group are principally 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 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. Without the authorities given by Isuzu or the Company, independent third parties are not able to produce relevant parts that meet the quality standards of Isuzu. The Company and the Connected Persons have obtained the authorities to produce the automobile parts and components that meet the quality standards of Isuzu while other suppliers do not have the technology know-how and specific equipment of Isuzu to produce most of the automobile parts and components specified under the New Parts Supply Agreements and the New Isuzu Supply Agreement. Therefore, the Company 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) aluminum parts and other parts and components; (ii) stamping components and other parts and components; (iii) casts of engine blocks, cylinder heads and main bearing covers and other parts and components; (iv) raw forgings 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) injectors, ECU, high-pressure common rail pipe and other automobile components for engines and vehicles 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 and accessory sets and other automobile parts and components specified under the New Company Supply Agreement to Isuzu for a considerable time.

Having considered that:

- (i) the Group needs to purchase various automobile parts and components specified under the New Parts Supply Agreements and the New Isuzu Supply Agreement for its daily operation of manufacturing various types of trucks and vehicles from time to time;
- (ii) CQACL, Qingling Group, 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 Connected Person 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 technology know-how and specific equipment of Isuzu and thus their products will not meet the requirements of Isuzu even though they may be capable of manufacturing parts with the same specifications;

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- (vi) the Company is specialized in the production and sale of automobile chassis and related components. 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;
- (vii) the products supplied by the Group to Isuzu are tailor-made for Isuzu and such products cannot be sold to other customers. The supply of accessory sets and other automobile parts and components to Isuzu can increase the turnover of the Group as well as facilitate the Company to enter into the international market; and
- (viii) the Company possesses necessary technology know-how for manufacturing the products and the quality of such products meets the international standards required by Qingling Group and Isuzu,

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 to Qingling Group and Isuzu, and the transactions contemplated under the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement and the New Company 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 Supply Agreement

The Directors consider that division of labour among its group members can increase the operational efficiency of the Group and minimize the costs of the Group through economy of scale. Therefore, the Engine JV Company has been established for carrying out the business of manufacturing and sale of vehicle-used engines and their parts while the Company focuses on the production and sale of vehicles. By entering into the New Supply Agreement, the Engine JV Company can purchase engine parts and raw materials (including the parts for the power systems of automobiles) from the Company for assembling and composing engine assembly while the Company in turn can secure the supply of engine assemblies and their parts from the Engine JV Company for assembling automobiles and for the maintenance of automobiles.

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 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.

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

(a) The New Parts Supply Agreements

Pursuant to the New Parts Supply Agreements, the Company will purchase the following products from the respective Connected Persons for the period from 20 September 2014 to 31 December 2016:

- (i) automobile parts including, but not limited to, aluminum parts and other parts and components from CQACL;
- (ii) automobile parts including, but not limited to, stamping components, compartments and other parts and components from Qingling Group;
- (iii) automobile parts including, but not limited to, casts of engine blocks, cylinder heads and main bearing covers and other parts and components from CQCC;
- (iv) automobile parts including, but not limited to, raw forgings 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 which set out the principles upon which detailed terms are to be determined between the Company and the respective Connected Persons. The price of the products will be determined in the following order: (i) at prices not higher than market prices; or (ii) if no comparable market price, 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 than those offered by the respective Connected Persons to Independent Third Parties. The price determination mechanism is formulated after arm's length negotiations between the parties and 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 8.31% in 2012, whilst the average profit margins for automobile enterprises and automobile and motorcycle parts enterprises were 9.04% and 6.16% respectively in 2012, as well as the historical transaction price of the parts.

As advised by the management of the Company, 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. Independent third parties without authorization given by Isuzu or the Company will not be able to produce the relevant parts and meet the quality standards of Isuzu. As no authorization is given to independent third parties in the market for the production of most of the parts supplied to the Company under the New Parts Supply Agreement for assembling Isuzu

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commercial vehicles, no comparable market price is available for those parts such as cylinder blocks, cylinder heads, rod castings of some specific engines and certain specified axles. Accordingly, the prices of those products are currently 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 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. Meanwhile, comparable market prices are available for a few of other parts supplied under the New Parts Supply Agreement, such as iron compartments and aluminum compartments. Therefore, the prices of those parts are determined based on the price of the parts with similar specifications, technology and quality requirements in the automotive parts market.

For those transactions which have comparable market prices, we understand from the management of the Company that the Company has not purchased parts from third party suppliers currently, but would obtain quotations from third party suppliers on similar products for comparison purposes. We have reviewed samples of the quotations issued by third party suppliers, invoices issued by the Qingling Group Companies and estimated costs of automobile parts supplied under the Parts Supply Agreements provided by the Qingling Group Companies, which we considered are representative, and noted that the terms offered by the Qingling Group Companies to the Company were similar and not less favorable than terms offered by the Independent Third Parties.

In order to assess whether the price determination mechanism for those 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 automobile parts and accessories manufacturers in the PRC for the nine months ended 30 September 2013 and four years ended 31 December 2012 ranged from approximately 6.16% to 8.45%, with an average of approximately 7.4%, which is approximately 7.5% lower than the maximum rate of 8% to be charged by the respective Qingling Group Companies under the New Parts Supply Agreements.

We were advised by the management of the Company that the manufacturing of parts ordered from the Qingling Group Companies generally involves more complex technologies and stringent procedures on quality control as compared to those products that are readily available in the market. Accordingly, the Company considers that a higher profit margin is justifiable for parts purchased from the Qingling Group Companies. Furthermore, having considered that (i) the maximum rate of 8% to be charged by the respective Qingling Group Companies under the New Parts Supply Agreements falls within the range of average profit margin of automobile parts and accessories manufacturers in the PRC for the nine months ended 30 September 2013 and four years ended 31 December 2012; (ii) the profit margin for the automobile and motorcycle parts enterprises as quoted from the “China Automotive Industry Yearbook” is only an average level and the actual profit margin will vary from transaction to transaction depending on the nature, prevailing market price, technology specifications, quality standards of the parts and supply-demand relationship in the market; (iii) there were notable fluctuations in the profit margin of automobile parts and accessories manufacturers in the PRC in the past few years which ranged from approximately 6.16% to 8.45%; (iv) the profit margin of automobile parts and accessories manufacturers in the PRC resumed its rising trend after reaching the lowest level of 6.16% in 2012 and reached 6.5% for the nine months ended 30 September 2013; and (v) it is reasonable to include a buffer in the maximum rate of profit margin to be charged under the New Parts Supply Agreements so as to allow flexibility in price negotiation in response to market changes as such agreements have a term of more than 2 years, during which there might be significant market

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changes, and a sudden rise in profit margin resulted from unexpected changes in market conditions might to a mandatory cessation of the transactions under the New Parts Supply Agreements if zero buffer was provided, we consider that it is fair and reasonable to set the ceiling of the profit margin at 8%, although it is higher than the current average market rate.

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 and pricing of different types of automobile parts in the industry will make business judgment for, and provide professional advices 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 price of the automobile parts with the Qingling Group Companies, will 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 the same as compared to the past three years, in spite of the continuous increase in costs such as raw materials, fuel, salary in the recent years. Moreover, the Qingling Group Companies regularly provide to 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 standard and experience. The Company's access to the quarterly operating statements and audited annual financial statements of the Qingling Group Companies also enable the Company to know well the actual profit margin level achieved by the Qingling Group Companies.

We have reviewed 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 we considered are representative, and noted that the average profit margin charged by the Qingling Group Companies are in the range of 1.2% and 3.8%.

Having considered that (i) the terms of the transactions contemplated under the Parts Supply Agreement for those products with comparable market prices offered by the Qingling Group Companies to the Company were similar and not less favorable than terms offered by the Independent Third Parties; (ii) the actual profit margins charged by the Qingling Group Companies under the Parts Supply Agreements were lower than the maximum profit margin of 8%; (iii) the actual profit margins charged by the Qingling Group Companies under the Parts Supply Agreements were lower than the profit margin of automobile parts and accessories manufacturers in the PRC for the nine months ended 30 September 2013; (iv) the profit margin of 8% under the New Parts Supply Agreements represents only the maximum rate that can be charged by the respective Qingling Group Companies and the actual rate to be charged to the Company will be dependent on the prevailing market rate and in any event not less favorable than those offered to any other Independent Third Party; and (v) 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 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.

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(b) 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 for the period from 5 August 2014 to 31 December 2016.

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 are to be determined between the Company and Qingling Group. Under the New Chassis Supply Agreement, the parties shall enter into definitive agreements from time to time 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, quantities, qualities, delivery and inspection of products 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 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. Qingling Group has also undertaken that the terms offered to the Company shall be no less favorable than terms offered to any Independent Third Party in the market where Qingling Group operates.

As advised by the management of the Company, the selling price of the automobile chassis and related components for Qingling Group is determined after arm's length negotiations between the parties and by reference to the price of the chassis and the relevant parts with similar specifications, technology and quality requirements in the automobile market. We have reviewed samples of invoices issued by the Company to Qingling Group and the Independent Third Parties in relation to the sale of automobile chassis, which we considered are representative, and noted that the terms offered by the Company to Qingling Group were similar and not less favorable than terms offered to the Independent Third Parties. Given that (i) the terms of the transactions contemplated under the Chassis Supply Agreement offered by the Company to Qingling Group were similar and not less favorable than terms offered to the Independent Third Parties; (ii) 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 (iii) 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.

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(c) The New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement

Pursuant to the New Isuzu Supply Agreement, Isuzu agreed to supply automobile parts and components including, but not limited to, injectors, ECU, high-pressure rail pipe and other automobile components for engines and vehicles assembly to the Company for the period from 24 June 2014 to 31 December 2016. Meanwhile, the Company agreed to supply accessory sets and other automobile parts and components to Isuzu including, but not limited to, transmission parts such as gears, shafts and clutches in accordance with the New Company Supply Agreement for the period from 24 June 2014 to 31 December 2016. Pursuant to the New Supply Agreement, the Company agreed to provide parts of engines and raw materials (including parts for the power systems of automobiles) to the Engine JV Company for assembling and composing engine assemblies, and the Engine JV Company agreed to provide the engines assemblies and their parts to the Company for assembling automobiles and for the maintenance of automobiles for the period from the date upon obtaining all relevant approvals and/or completing all other procedures in accordance with all applicable laws, rules and regulations or 31 March 2014, whichever is later, to 31 December 2016.

The New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement are master agreements which set out the principles upon which detailed terms are to be determined between the parties to the agreements. The parties to the said agreements shall enter into definitive agreements for detailed terms of each single transaction in accordance with the underlying principles set out in the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement. Such detailed terms include, but without limitation, the type of products to be supplied/purchased, orders making procedure, method of delivery, prices, payment and settlement terms, quantities, standard of qualities, delivery and inspection of products and other terms and conditions in relation to the supply and purchase of specific type of products. All parties to the agreements agreed that such detailed terms and the pricing shall be on normal commercial terms and fair and reasonable to the parties thereto. If there are no sufficient 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 any other Independent Third Party in the market where the Company and Isuzu (as the case may be) locates.

In the event that a competitor (including a potential competitor) of Isuzu holds Shares of the same number as 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 and the New Company Supply Agreement by giving notice to the Company. Meanwhile, in the event that the Engine JV Company ceased to be a connected person of the Company and the transactions under the New Supply Agreement ceased to be continuing connected transactions under the Listing Rules, the Company is entitled to terminate the New Supply Agreement by giving written notice to the Engine JV Company.

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 price has been and shall continue to be determined by reference to (i) the actual or reasonable costs, whichever is lower, incurred plus a profit margin of not more 10% for the transactions contemplated under the New Isuzu Supply Agreement and the New Company Supply Agreement; and (ii) the actual costs incurred plus a profit margin of not more than 10% for the transactions contemplated under the New Supply Agreement. The profit margin of not more than 10% is determined by reference to the statistics published in the “China Automotive Industry Yearbook”, which indicated that the average profit margin for automotive industry in the PRC was 8.31% in 2012, while the profit margin for enterprises selling automobiles and enterprises selling automobiles and motorcycles parts were 9.04% and 6.16% respectively in 2012.

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As advised by the management of the Company, the Company has not supplied the products specified under the New Supply Agreement and the New Company Supply Agreement to any Independent Third Party because such products are tailor-made for the Engine JV Company and Isuzu (as the case may be) 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 accessory sets and automobile parts and components are sold to Qingling Motors Outlets solely for the purposes of automobile maintenance and parts replacement in the PRC market. On the other hand, the accessory sets and other automobile parts and components under the Company Supply Agreement were supplied to Isuzu for manufacturing of automobiles for the Japanese market. Therefore, the prices for exporting accessory sets and other automobile parts and components by the Company to Isuzu are prices offered to overseas manufacturers, while the prices for supplying the same to Qingling Motors Outlets are domestic retail prices. Given that the locations of the market for the sale of accessory sets and other automobile parts and components under the Company Supply Agreement to Isuzu and Qingling Motors Outlets were different, the management of the Company considers, and we concur with its view, that a direct comparison between the selling prices of the accessory sets and other automobile parts and components under the Company Supply Agreement for Isuzu and Qingling Motors Outlets are inappropriate as different pricing strategies are applied to different markets. In addition, there are no Independent Third Parties who supply to the Company the products under the New Isuzu Supply Agreement and the New Supply Agreement because such products are of specific specifications which are not available from other suppliers. As such, we are unable to compare the terms of these transactions 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 Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement are no less favorable than terms offered by Isuzu and the Engine JV Company to Independent Third Parties, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement specifically provide that the transactions contemplated thereunder to be on terms no less favorable to the Company than terms offered to Independent Third Parties. Furthermore, the Engine JV Company is owned as to 50% and 50% by the Company and Isuzu respectively and half of the directors of the Engine JV Company were nominated by the Company. The Company has therefore a significant influence, control and execution power over the management policies of the Engine JV Company. As such, the Company considers, and we concur with its view, that the Engine JV Company's commitment and execution of offering to the Company normal commercial terms or terms no less favorable than those offered to/by Independent Third Parties for transactions under the New Supply Agreement can be safeguarded.

We have reviewed (i) samples of invoices issued by the Company to Isuzu and the actual costs incurred by the Company for transactions under the Company Supply Agreement; (ii) samples of invoices issued by the Company to the Engine JV Company and the Independent Third Parties and the actual costs incurred by the Company for transactions under the Supply Agreement; and (iii) samples of invoices issued by the Engine JV Company to the Company and the estimated costs in relation to automobile parts supplied by the Engine JV Company under the Supply Agreement, which we considered are representative, and noted that (a) the prices charged by the Company to the Engine JV Company were lower than those charged to Qingling Motors Outlets; and (b) the average profit margins charged by the Company and the Engine JV Company were in the range of 0.0% and 3.7%.

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We were advised by the management of the Company that the engine parts and raw materials supplied by the Company to the Engine JV Company under the Supply Agreement were used by the Engine JV Company for assembling and composing engine assemblies, and such engine assemblies were subsequently sold back to the Company exclusively by the Engine JV Company. 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 the Engine JV Company at cost so as to lower the prices of the engine assemblies to be sold by the Engine JV Company to the Company. On the other hand, the Company charged for a profit for the sale of parts of engines and raw materials under the Supply Agreement to Qingling Motors Outlets which used the engine parts and raw materials for the purposes of automobile maintenance and parts replacement only. Given that the profit margin charged to the Engine JV Company for sale of engine parts and raw materials by the Company to the Engine JV Company will be set off by the additional cost charged to the Company for sale of engine assemblies by the Engine JV Company to the Company, we considered that it is commercially justifiable to sell the parts of engines and raw materials under the Supply Agreement to the Engine JV Company, which were solely used for assembling and composing engine assemblies for exclusive sale to the Company, without any 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.

We have also 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 automobile parts and accessories manufacturers in the PRC for the nine months ended 30 September 2013 and four years ended 31 December 2012 ranged from approximately 6.16% to 8.45%, with an average of approximately 7.4%, which is approximately 26.0% lower than the Company's proposed maximum rates of 10% to be charged under the New Isuzu Supply Agreement and the New Company Supply Agreement.

We were advised by the management of the Company that no estimated costs of automobile parts supplied under the Isuzu Supply Agreement were given by Isuzu to the Company. As such, we were unable to compare the invoices issued by Isuzu to the cost of Isuzu under the Isuzu Supply Agreement. We understand from the management of the Company that there are monthly meetings between the Company and Isuzu, during which the Company and Isuzu 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 is presented to the Company by Isuzu orally only and no written documents are provided.

To assess the reasonableness of the price charged by Isuzu, the Company will 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. The benchmark price of individual parts is estimated based on the value allocation table of the vehicle provided by Isuzu, which shows the automobile parts required for manufacturing that particular model of vehicle as well as the percentage of each of the automobile parts in that vehicle in terms of value, and the selling price of the same model of vehicle in the market of Japan plus the estimated packaging and transportation fees to be incurred by Isuzu. Given that those imported 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 Company considers that the selling price in Japan can serve as one of the references, while other factors and references are also taken into account by the Company, for it 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 will also assess

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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 are fair and reasonable to the Company. Based on the Company's assessment with its knowledge and expertise in the industry, it is believed that the profit margins charged by Isuzu were lower than 10%.

Given that (i) the actual average profit margins charged by the Company and the Engine JV Company under the Company Supply Agreement and the Supply Agreement were lower than the maximum profit margin of 10%; (ii) the actual average profit margin charged by the Engine JV Company under the Supply Agreement was lower than the profit margin of automobile parts and accessories manufacturers in the PRC for the nine months ended 30 September 2013; (iii) the Company is required to purchase the relevant automobile parts and components 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 since the 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; (iv) the products under the New Isuzu Supply Agreement, the New Supply Agreement and the New Company 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; (v) the profit margin ceiling of the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement represents only the maximum rate that can be charged and the actual rate to be charged will be dependent on the prevailing market rate and the Company, the Engine JV Company and Isuzu all agreed in the contracts that the actual selling price of the products to be supplied or purchased 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; (vi) the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement last for 3 years and the market rate of profit margin may fluctuate during the term of the contracts; (vii) both the Company and the Engine JV Company are mutually bounded by the same terms on price determination for sale and purchase transactions under the New Supply Agreement; and (viii) both the Company and Isuzu are mutually bounded by the same terms on price determination for sale and purchase transactions under the New Isuzu Supply Agreement and the New Company 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 market rate, so as to allow flexibility in price negotiation in response to market change. We also consider that the terms of the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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

(a) The annual caps for the Non-exempt Continuing Connected Transactions

The proposed annual caps in respect of each of the Non-exempt Continuing Connected Transactions (the “Annual Caps”) are set out below:

Table 1: Proposed Annual Caps of the Non-exempt Continuing Connected Transactions

	Proposed Annual Caps (RMB' million)			
	For the period from the commencement date to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016	Compound annual growth rate
New Parts Supply Agreements ^{Note 1}	240.0	932.0	1,207.0	36.0% ^{Note 5}
— New CQACL Agreement ^{Note 1}	5.00	21.00	25.00	18.8%
— New Qingling Group Agreement ^{Note 1}	113.00	269.00	351.00	31.5% ^{Note 5}
— New CQCC Agreement ^{Note 1}	8.00	36.00	46.00	27.4%
— New CQFC Agreement ^{Note}	15.00	90.00	110.00	43.9%
— New CQAC Agreement ^{Note 1}	44.00	235.00	305.00	39.9%
— New CQNHK Agreement ^{Note 1}	25.00	133.00	170.00	38.5%
— New CQPC Agreement ^{Note 1}	30.00	148.00	200.00	37.2%
New Chassis Supply Agreement ^{Note 2}	950.0	2,500.0	2,800.0	9.7%
New Isuzu Supply Agreement ^{Note 3}	830.0	2,150.0	2,800.0	32.9%
New Company Supply Agreement ^{Note 3}	43.0	177.2	230.4	67.4%
New Supply Agreement ^{Note 4}				
— supply by the Engine JV Company	1,690.0	3,120.0	4,000.0	33.5%
— supply by the Company	1,250.0	2,300.0	2,960.0	33.6%

Notes:

1. These agreements will commence on 20 September 2014.
2. The agreement will commence on 5 August 2014.
3. These agreements will commence on 24 June 2014.
4. The agreement will commence on 31 March 2014.
5. Calculated based on the total annual cap of the New Qingling Group Agreement for the year ending 31 December 2014 of RMB203.0 million, being the sum of the approved annual cap for the period from 1 January 2014 to 19 September 2014 of RMB90.0 million and the proposed annual cap for the period from 20 September 2014 to 31 December 2014 of RMB113.0 million.

We were advised by the management of the Company that due to the limitation of the approved annual cap for the period from 1 January 2014 to 19 September 2014, the purchase amount of automobile parts from Qingling Group for the relevant period was lower than the actual demand of the Group. Therefore, the Group expected that purchases of automobile parts from Qingling Group under the New Qingling Group Agreement would increase substantially in the last quarter of 2014 as compared to the first three quarters of 2014 in order to stock up the relevant automobile parts reserve of the Group and meet the production needs. As a result, the annualized figure for 2014, which is calculated based on the estimated figure for the period from 20 September 2014 to 31 December 2014, would be relatively large as compared to the expected transaction amount for the whole year of 2014 and

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the compound annual growth rate for 2014 to 2016 would be negative due to a large annualized base value in 2014. Therefore, we consider that it is inappropriate to calculate the compound annual growth rate based on the annualized figure for 2014 in this exceptional case.

Alternatively, we have recalculated the compound annual growth rate of the New Qingling Group Agreement for 2014 to 2016 by using the total annual cap of the New Qingling Group Agreement for the year ending 31 December 2014 of RMB203.0 million, being the sum of the approved annual cap for the period from 1 January 2014 to 19 September 2014 of RMB90.0 million and the proposed annual cap for the period from 20 September 2014 to 31 December 2014 of RMB113.0 million, instead of the annualized proposed annual cap for 2014. As the sum of the approved annual cap and the proposed cap can better reflect the expected transaction amount under the New Qingling Group Agreement for the year ending 31 December 2014, we consider that it is more appropriate to use such figure as a base for analyzing the compound annual growth rate for the relevant period.

We have reviewed the development plan of the Group and the schedules of actual/expected average costs and number of units bought in relation to the transactions under the Qingling Group Agreement and New Qingling Group Agreement and noted that the proposed annual cap for the period from 20 September 2014 to 31 December 2014 is larger than the actual transaction amount for the period from 1 January 2013 to 30 November 2013 as the demand on stamping components, compartments and other parts and components under the New Qingling Group Agreement is expected to increase due to the growth in sales of vehicles in 2014 as compared to that in 2013 and the commencement of the production of heavy duty trucks in 2014, detailed analysis of the Group's projected sales volume on automobiles are set out in the paragraph headed " (iii) Projected sales volume of the Group's automobiles" below. The Company anticipates that two new models of heavy-duty vehicles will be launched and made available for sale in 2014 and 2016 respectively, and the launching of such new models is expected to increase the sales volume of heavy-duty vehicles by a compound annual growth rate of approximately 51.9% from 2014 to 2016. In view of the above, we consider that the proposed annual cap under the New Qingling Group Agreement for 2014 is fair and reasonable.

As shown in Table 1 above, the Annual Caps for the Non-exempt Continuing Connected Transactions are expected to increase with an annualized compound annual growth rate ranging from approximately 9.7% to 67.4% for the period from 2014 to 2016. The basis, and the assessment on the basis, of the Annual Caps are set out in the paragraphs below.

(b) Determination basis of the Annual Caps

The Annual Caps of the New Parts Supply Agreements were determined by reference to (i) the historical sales volume for the year ended 31 December 2012 and the relevant months ended 31 December 2013; (ii) the projected sales volume for the three years ending 31 December 2016; (iii) the expected increase in number of new vehicles of new models or different specifications to be launched and made available for sale by the Company; and (iv) the new additional growth of sales expected to be achieved through establishing new distributors and expanding marketing branches in counties and towns with active market.

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

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 duration of the relevant agreements, taking into account, inter alia, the overall business environment and specific growth strategies; (iii) the expected increase in 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.

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The Annual Caps of the New Company Supply Agreement were set by the Board by reference to (i) the estimated amounts of related products required by Isuzu from the Company for the production of Isuzu's newly developed products from 2015 to 2016; (ii) the projected sales volume for the duration of the relevant agreements taking into consideration, inter alia, the expected increase in sales volume of Isuzu products in overseas market and hence the increase in needs of parts and components; and (iii) the demand for overseas export business as explored and implemented by Isuzu and the Company from time to time.

The Annual Caps of the New Supply Agreement were determined by reference to (i) the establishment and release of the production capacity of the Group's new heavy-duty vehicles; and (ii) the expected growth of the Company from the effective date of the New Supply Agreement to the end of 2016 in view of the economic growth in the PRC and the growth in demand for engines and their parts.

(c) Assessment on the basis of the Annual Caps

To assess whether the basis of the Annual Caps are fair and reasonable, we have reviewed the historical average costs/selling prices and number of units bought/sold in relation to the Non-exempt Continuing Connected Transactions, the development plans of the Group, Qingling Group and Isuzu for the three years ending 31 December 2016 and the schedules of expected average costs/selling prices and number of units bought/sold in relation to the Non-exempt Continuing Connected Transactions prepared after discussion between the Company and the respective Connected Persons provided by the Company and considered the following factors:

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(i) The historical transaction amounts

The following table sets out the historical transaction amounts under each of the Non-exempt Continuing Connected Transactions for the past three years:

**Table 2: Historical transaction amounts of the
Non-exempt Continuing Connected Transactions**

	Transaction amounts (RMB' million)			
	For the period from the commencement date to 31 December 2011	For the year ended 31 December 2012	For the period from 1 January 2013 to 30 November 2013	Compound annual growth rate ^{Note 5}
CQACL Agreement ^{Note 1}	6.62	14.05	10.40	(30.4%)
Qingling Group Agreement ^{Note 1}	15.50	107.24	99.00	40.3%
CQCC Agreement ^{Note 1}	9.99	21.52	17.10	(27.3%)
CQFC Agreement ^{Note 1}	15.97	49.68	39.56	(12.6%)
CQAC Agreement ^{Note 1}	11.31	106.18	99.77	64.9%
CQNHK Agreement ^{Note 1}	17.82	63.59	55.71	(1.8%)
CQPC Agreement ^{Note 1}	23.29	74.93	66.17	(6.4%)
Chassis Supply Agreement ^{Note 2}	493.92	1,557.37	1,562.97	18.8%
Isuzu Supply Agreement ^{Note 3}	731.50	1,123.31	1,008.00	(11.2%)
Company Supply Agreement ^{Note 3}	34.02	43.42	32.21	(26.4%)
Supply Agreement ^{Note 4}				
— supply by the Engine JV Company	1,241.59	1,474.65	1,263.79	(8.5%)
— supply by the Company	783.01	1,048.63	926.77	(1.3%)

Notes:

1. These agreements commenced from 20 September 2011.
2. The agreement commenced from 5 August 2011.
3. These agreements commenced from 24 June 2011.
4. The agreement commenced from 1 April 2011.
5. Calculated based on annualized figures for 2011 and 2013.

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From Table 2 above, we noted that, save for the transactions under the Qingling Group Agreement, the CQAC Agreement and the Chassis Supply Agreement, the transaction amounts of the Non-exempt Continuing Connected Transactions decreased with a negative compound annual growth rate ranging from approximately 1.3% to 30.4% during the past few 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 and the CQAC Agreement), the Isuzu Supply Agreement and the Supply Agreement was mainly attributable to the continuous drop in the Group's sales volume of vehicles during 2011 and 2013 resulted from the decreasing market demand in the industry caused by the national macroeconomic control, weakened infrastructure investment and change in environmental regulations on the automobile industry in the PRC. The number of vehicles sold by the Group decreased by approximately 20.8% from 75,821 units in 2011 to 60,084 units in 2012 and further decreased by approximately 13.4% from 31,323 units for the six months ended 30 June 2012 to 27,132 units for the six months ended 30 June 2013. Meanwhile, the demand of accessory sets and other automobile parts and components from Isuzu also dropped during the period between 2011 and 2013. Accordingly, the transaction amounts under the Company Supply Agreement decreased.

We were advised by the management of the Company that during 2011 and 2012, Qingling Group had increased its varieties of automobile parts products. Therefore, certain automobile parts previously purchased by the Group from Independent Third Parties have been shifted to Qingling Group owing to better quality offered by Qingling Group. As such, the purchases from Qingling Group increased during the period under review. We also understand from the management of the Company that the Group has started to produce vehicle axle assembly, which were previously purchased from CQAC, by itself since September 2011. Thus, the Group has increased its purchases of parts and components from CQAC for the production of vehicle axle assembly since then. In addition, as CQAC terminated its production of vehicle axle assembly in September 2011, it has extra production capacity to produce other varieties of automobile parts, some of which were acquired by the Group from other Independent Third Party suppliers previously. As a result, the Group started to purchase the new varieties of automobile parts from CQAC in 2012.

Furthermore, Qingling Group increased its production capacity of modified vehicles in 2012. Therefore, the demand of chassis from Qingling Group as well as the transaction amount under the Chassis Supply Agreement increased substantially during the period under review.

(ii) Outlook of automobile market in the PRC

Based on the statistics released by the National Bureau of Statistics of China, the gross domestic product ("GDP") of the PRC for the nine months ended 30 September 2013 was approximately RMB38,676.2 billion, representing an increase of approximately 9.4% over the last corresponding period. For the nine months ended 30 September 2013, the per capita disposable income of urban population was approximately RMB20,169, representing a growth of approximately 9.5% over the same period of the previous year. The OECD Economic Outlook, Vol. 2013/2 issued by the Organization for Economic Cooperation and Development in November 2013 revealed that the domestic demand had started to accelerate after weak retail sales in early 2013 and consumption was gathering pace especially of durable goods. The growth in the PRC is picking up while inflation remains low. By past standards, the recovery in the PRC is subdued, reflecting a marked slowing in potential growth in the past few years. With the fairly neutral macroeconomic policy stance, the OECD Economic Outlook expected that the real GDP growth rate would be peaked at 8.2% in 2014 and edged down to around 7.5% in 2015.

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According to the China Association of Automobile Manufacturers, the automobile production in the PRC was approximately 17.85 million units for the ten months ended 31 October 2013, representing an increase of approximately 13.6% as compared to the previous corresponding period. The automobile sales volume in the PRC reached 17.81 million units for the ten months ended 31 October 2013, representing a growth of approximately 13.5% as compared to the last corresponding period. It is expected that the number of auto sold in the PRC would be over 20 million units, and might reach 21 million units, in 2013. Participants of the PRC automobile industry expressed in the China Automotive Forum organized in November 2013 that the growth of PRC automobile industry would remain optimistic at a rate of around 10% in 2014. Furthermore, Research Institute of Ministry of Commerce of the PRC forecasted that the growth in automobile industry in the PRC would generally be in line with the growth in the PRC's GDP, which is expected to be approximately 7% to 8% in 2014.

Given the continuous economic growth in the PRC, the management of the Company expects and we concur with its view 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 automobiles as well as automobile components in the PRC will continue to increase and the market outlook of the automobile industry in the PRC shall remain positive in the foreseeable future.

(iii) Projected sales volume of the Group's automobiles

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB2.7 billion, representing a decrease of approximately 14.5% as compared to the last corresponding period. The number of vehicles sold by the Group decreased by approximately 13.4% to 27,132 units for the six months ended 30 June 2013. The reduction in sales volume was mainly attributable to the depressed market sentiment resulted from the national macroeconomic control, weakened infrastructure investment and change in environmental regulations on the automobile industry.

Nevertheless, in view of the introduction of the national urbanization plan in November 2013, the resumption of national and local infrastructure investment plans and a more clear governmental view on environmental policies to be imposed on the automobile industry, especially the nationwide implementation of the fourth phase of National Emission Standard for Commercial Vehicles in 2014, the management of the Company expected that the 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 in the coming years.

As disclosed in the 2013 interim report, the Group will continue to increase its production volume of heavy-duty vehicles and engines for heavy-duty vehicles and target to enlarge the share of sales revenue and profit attributable to medium-and heavy-duty trucks to 30% from approximately 14.9% and 15.5% respectively for the six months ended 30 June 2013. The Company anticipates that two new models of heavy-duty vehicles will be launched and made available for sale in 2014 and 2016 respectively, and the launching of such new models is expected to increase the sales volume of heavy-duty vehicles by a compound annual growth rate of approximately 51.9% from 2014 to 2016. Meanwhile, the Group will continue to enhance its technology development by launching new varieties of light-duty, medium-duty vehicles and modified vehicles such as fire service command vehicle, refrigerated vehicle for selling vegetables, fruit, seafood and temperature controlled vehicle for transportation of medicine. The

Company anticipates that new varieties or different specifications of light-duty, medium-duty vehicles and modified vehicles will be launched and made available for sale in the second half of 2014 and the total number of new models or specifications to be launched in the three years ending 31 December 2016 will be about 50. The management of the Company expects that the launching of new models, varieties and specifications of vehicles can help further boosting the sales volume of the Group.

During the year ended 31 December 2012 and the six months ended 30 June 2013, the Company engaged 94 and 15 new distributors in counties and towns respectively and expanded the network of new distributors for vehicles that related to food and livelihood of citizens such as vehicles for transportation of medicine, dairy products, seafood and fresh fruit. Currently, the Group sells its products through 200 distributors and 400 sales branches in the PRC. To further strengthen the Group's capability in marketing and provision of after-sale services, in particular for emerging markets in counties and towns, the Group plans to further increase its number of distributors to approximately 250 by end of 2016 and adopt the operation mode of "parent shop + branches" with the aim of setting up 100 new branches by end of 2016. 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.

(iv) Projected increase in demand of chassis by Qingling Group

We understand from the management of the Company that Qingling Group has set up a wholly-owned assembly company to manufacture modified vehicles including, but not limited to, automobiles for transportation and cold-storage vehicles. In order to meet its increasing production volume, Qingling Group's demand of chassis from the Group is expected to increase with an annualized compound annual growth rate of approximately 13.0% for the three years ending 31 December 2016.

(v) Projected increase in demand of accessory sets and other automobile parts and components by Isuzu

We were advised by the management of the Company that Isuzu expected that its sales of vehicles would increase substantially during the three years ending 31 December 2016 in view of the recovery of economies in Japan and worldwide and the newly developed engines to be sold to Isuzu. With reference to the OECD Economic Outlook, Vol. 2013/2 issued by the Organization for Economic Cooperation and Development in November 2013, it is anticipated that the global GDP will grow at a rate of 3.6% and 3.9% in 2014 and 2015 respectively while the growth rate of GDP for Japan will be 1.5% in 2014 and 1.0 % in 2015.

With the expected increase in sales volume of Isuzu, the Company anticipated that the overall demand of accessory sets and other automobile parts and components from Isuzu will increase with an annualized compound annual growth rate of approximately 62.9% for the three years ending 31 December 2016, taking into account (i) the increases in demand of accessory sets for vehicles with high quality but competitive cost and delivery term export mainly to Southeast Asian markets and accessory sets for gears; (ii) the increase in demand of automobile parts and components for after-sale service supply to the worldwide markets; (iii) the introduction of light-engines co-developed by the Group and Isuzu which will be produced by the Group for the engineering vehicles sold by Isuzu globally; and (iv) the introduction of heavy-vehicle engines produced by the Group for overseas markets.

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Having considered the development plans of the Group, Qingling Group and Isuzu and the general market outlook of the automobile industry in the PRC, we are of the view that the Group's expected compound annual growth rates, in the range of approximately 9.7% to 67.4%, in transaction amounts of the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2016, which are mainly resulted from the increase in expected production and sales volume of the Group and the counterparties, are fair and reasonable. We also consider that the Annual Caps proposed by the Directors are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Annual review of the Non-exempt Continuing Connected Transactions

The Company will comply with Rule 14A.37 to Rule 14A.41 of the Listing Rules during the term of the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement, in particular:

- (a) the Annual Caps for the Non-exempt Continuing Connected Transactions shall not be exceeded;
- (b) each year the independent non-executive Directors will review the Non-exempt Continuing Connected Transactions and confirm in the annual report of the Company that such transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Company;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) the Independent Third Parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (c) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Non-exempt Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) have been entered into in accordance with the pricing policy of the Group;
 - (iii) have been entered into in accordance with the terms of the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement; and
 - (iv) have not exceeded the Annual Caps as disclosed;
- (d) the Board must state in the annual report of the Company whether its auditors have confirmed the matters as referred to in paragraph (c) above; and

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- (e) upon any variation or renewal of the New Parts Supply Agreements, the New Chassis Supply Agreement, the New Isuzu Supply Agreement, the New Supply Agreement and the New Company Supply Agreement, the Company will comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Given the above, we are of the view that the interests of the Company and the Shareholders under the Non-exempt Continuing Connected Transactions will be properly safeguarded.

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 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. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution(s) to approve the Non-exempt Continuing Connected Transactions at the upcoming EGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo **Amilia Tsang**
Managing Director *Director*

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

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 Companies to be notified to the Company and the Stock Exchange.

Mr. DU Weidong is the chairman and general manager of Qingling Group, Mr. Naotoshi TSUTSUMI is the consultant of Isuzu, Mr. Ryoza TSUKIOKA is the executive vice president and director of Isuzu, and Mr. ZENG Jianjiang is a director and deputy general manager of Qingling Group.

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 is known to each Director or chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations have 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 is, 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 Shareholders	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%
Allianz SE	H Shares	102,122,000	Interest of controlled corporation	8.24%	4.11%
(Note)					

Note:

The following is a breakdown of the interests in the Shares held by Allianz SE:

Name of controlled corporation	Name of controlling shareholder	Percentage of control	Total interest in Shares	
			Direct interest	Indirect interest
Allianz Asset Management AG	Allianz SE	100%	—	102,122,000
Allianz Global Investors GmbH	Allianz Asset Management AG	100%	—	101,600,000
RCM Asia Pacific Ltd.	Allianz Global Investors GmbH	100%	98,240,000	—
Allianz Global Investors Taiwan Ltd.	Allianz Global Investors GmbH	100%	3,360,000	—
Allianz Asset Management of America Holdings Inc.	Allianz Asset Management AG	100%	—	522,000
Allianz Asset Management of America L.P.	Allianz Asset Management of America Holdings Inc.	100%	—	522,000
Allianz Global Investors U.S. Holdings LLC	Allianz Asset Management of America L.P.	100%	—	522,000
Allianz Global Investors Fund Management LLC	Allianz Global Investors U.S. Holdings LLC	100%	522,000	—

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 is, 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 are aware of, none of the Directors nor their respective associates had any interests which competed or may compete with the Company's business.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are of the view that there was no material adverse change in the financial and trading position of the Group since 31 December 2012, 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 has 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 2012, 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 is materially interested in any contract or arrangement which is significant in relation to the business of the Company.

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
Hercules Capital Limited	A licensed corporation under the SFO to carry out type 6 regulated activity (advising on corporate finance)

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

As at the Latest Practicable Date, Hercules Capital Limited does not have any direct or indirect interest in any asset which had been, since 31 December 2012, being the date to which the latest published audited financial statements of the Company 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.

Hercules Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 5 March 2014 and reference to its name in the form and context in which they respectively appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Messrs. Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date of the EGM:

- (a) the New Parts Supply Agreements;
- (b) the New Chassis Supply Agreement;
- (c) the New Isuzu Supply Agreement;
- (d) the New Supply Agreement; and
- (e) the New Company 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING



慶鈴汽車股份有限公司

QINGLING MOTORS CO. LTD.

(a Sino-foreign joint venture joint stock 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 of Qingling Motors Co. Ltd (the “**Company**”) will be held at Conference Hall, 1st Floor of Qingling Motors Co. Ltd Office Building, 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China (the “**PRC**”) on Tuesday, 22 April 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications), the following ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional agreements dated 17 December 2013 entered into: (i) between Chongqing Qingling Aluminium Casting Co., Ltd. (“**CQACL**”) and the Company (the “**New CQACL Agreement**”); (ii) between Qingling Motors (Group) Company Limited (“**Qingling Group**”) and the Company (the “**New Qingling Group Agreement**”); (iii) between Chongqing Qingling Casting Company Ltd. (“**CQCC**”) and the Company (the “**New CQCC Agreement**”); (iv) between Chongqing Qingling Forging Co. Ltd. (“**CQFC**”) and the Company (the “**New CQFC Agreement**”); (v) between Chongqing Qingling Axle Co. Ltd. (“**CQAC**”) and the Company (the “**New CQAC Agreement**”); (vi) between Chongqing Qingling NHK Seat Co. Ltd. (“**CQNHK**”) and the Company (the “**New CQNHK Agreement**”); and (vii) between Chongqing Qingling Plastic Co. Ltd. (“**CQPC**”) and the Company (the “**New CQPC Agreement**”) (copies of which marked “A” 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 the period from 20 September 2014 to 31 December 2014 and each of the two years ending 31 December 2016 (as set out in the circular of the Company dated 5 March 2014) be and are hereby approved;

and Mr. Pan Yong and Mr. Zeng Jianjiang, who are the directors of the Company, (the “**Authorised Directors**”) be and are hereby authorised on behalf of the Company to sign, seal, execute, all such other documents and agreements and to do all such acts and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the New CQACL Agreement, New Qingling Group Agreement, New CQCC Agreement, New CQFC Agreement, New CQAC Agreement, New CQNHK Agreement and New CQPC Agreement and the annual caps and the transactions thereby contemplated.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. **“THAT:**

- (a) the conditional agreement dated 17 December 2013 entered into between the Company and Qingling Motors (Group) Company Limited (**“Qingling Group”**) in respect of the supply of certain automobile chassis and related components by the Company to Qingling Group (the **“New Chassis Supply Agreement”**, a copy of which marked “B” 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 the period from 5 August 2014 to 31 December 2014 and each of the two years ending 31 December 2016 (as set out in the circular of the Company dated 5 March 2014) be and are hereby approved;

and the Authorised Directors be and are hereby authorised on behalf of the Company to sign, seal, execute, all such other documents and agreements and to do all such acts and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Chassis Supply Agreement and the annual caps and the transactions thereby contemplated.”

3. **“THAT:**

- (a) the conditional agreement dated 17 December 2013 entered into between Isuzu Motors Limited (**“Isuzu”**) and the Company in respect of the supply of certain automobile parts and components by Isuzu to the Company (the **“New Isuzu 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 the period from 24 June 2014 to 31 December 2014 and each of the two years ending 31 December 2016 (as set out in the circular of the Company dated 5 March 2014) be and are hereby approved;

and the Authorised Directors be and are hereby authorised on behalf of the Company to sign, seal, execute, all such other documents and agreements and to do all such acts and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Isuzu Supply Agreement and the annual caps and the transactions thereby contemplated.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. “THAT:

- (a) the conditional agreement dated 17 December 2013 entered into: (i) between the Company and Qingling Isuzu (Chongqing) Engine Co., Ltd. (the “**Engine JV Company**”) in respect of the supply of parts of engines and raw materials to and purchase of engine assemblies and their parts from the Engine JV Company (the “**New Supply Agreement**”); and (ii) between the Company and Isuzu Motors Limited (“**Isuzu**”) in respect of the supply of accessory sets and other automobile parts and components by the Company to Isuzu (the “**New Company Supply Agreement**”) (copies of which marked “D” 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: (i) the New Supply Agreement for the period from 31 March 2014 to 31 December 2014 and each of the two years ending 31 December 2016; and (ii) the New Company Supply Agreement for the period from 24 June 2014 to 31 December 2014 and each of the two years ended 31 December 2016 (as set out in the circular of the Company dated 5 March 2014) be and are hereby approved;

and the Authorised Directors be and are hereby authorised on behalf of the Company to sign, seal, execute, all such other documents and agreements and to do all such acts and things as they may in their discretion consider necessary or desirable or expedient to implement and/or to give effect to the New Supply Agreement, the New Company Supply Agreement and the annual caps and the transactions thereby contemplated.”

By Order of the Board
Qingling Motors Co. Ltd
Wu Nianqing
Company Secretary

Chongqing, PRC, 5 March 2014

Legal Address:

1 Xiexing Cun, Zhongliangshan,
Jiulongpo District, Chongqing,
the People’s Republic of China

Principal Place of Business in Hong Kong:

Suite 4901, 49th Floor,
Office Tower, Convention Plaza,
1 Harbour Road, Wanchai, Hong Kong

Notes:

- (1) Any shareholder entitled to attend and vote at the meeting mentioned above is entitled to appoint one or more proxies to attend and vote at the meeting on his/her 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 the power of attorney or authority shall be deposited at the legal address of the Company at 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 Registrars, 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) not less than 24 hours before the time appointed for holding of the meeting or 24 hours before the time appointed for taking the poll or any adjournment thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of shareholders of the Company will be closed from Sunday, 23 March 2014 to Tuesday, 22 April 2014 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the meeting, all duly completed transfer forms relating to H Shares accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 21 March 2014.
- (4) Shareholders whose names appear on the register of shareholders of the Company on Sunday, 23 March 2014 are entitled to attend and vote at the meeting.
- (5) Shareholders or their proxies shall produce their identity documents when attending the meeting.
- (6) Shareholders who intend to attend the meeting shall complete and return the reply slip for attending the meeting at the legal address of the Company at 1 Xiexing Cun, Zhongliangshan, Jiulongpo District, Chongqing, the People's Republic of China by hand, by post, or by fax (at fax no.: (86) 23-68830397) on or before Wednesday, 2 April 2014.
- (7) The extraordinary general meeting is not expected to take more than half a day. Shareholders or their proxies attending the extraordinary general meeting shall be responsible for their own travel and accommodation expenses.
- (8) The resolutions as set out above will be determined by way of poll.
- (9) As at the date hereof, the board of directors of the Company comprises 11 directors, of which Mr. DU Weidong, Mr. Naotoshi TSUTSUMI, Mr. GAO Jianmin, Mr. Makoto TANAKA, Mr. Ryoza TSUKIOKA, Mr. PAN Yong and Mr. ZENG Jianjiang are executive directors of the Company and Mr. LONG Tao, Mr. SONG Xiaojang, Mr. XU Bingjin and Mr. LIU Tianni are independent non-executive directors of the Company.