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## **GRAND BAOXIN AUTO GROUP LIMITED**

**廣匯寶信汽車集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1293)**

### **CONNECTED TRANSACTION**

#### **ACQUISITION OF 100% EQUITY INTERESTS**

#### **IN (1) SHIJIAZHUANG MINGZHIBAO AUTOMOBILE SALES SERVICE COMPANY LIMITED\* AND (2) XUZHOU MINGZHIBAO AUTOMOBILE SALES SERVICE COMPANY LIMITED\***

##### **THE HEBEI ACQUISITION AND THE SHANDONG ACQUISITION**

The Board is pleased to announce that on 18 November 2019 (after trading hours), (i) Hebei Guanghui entered into the Hebei Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which Hebei Guanghui has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from Hebei Guanghui 100% equity interests in the Hebei Target for a consideration of RMB22.0 million (equivalent to approximately HK\$24.64 million); and (ii) Shandong Guanghui entered into the Shandong Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which Shandong Guanghui has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from Shandong Guanghui 100% equity interests in the Shandong Target for a consideration of RMB10.6 million (equivalent to approximately HK\$11.87 million).

## **LISTING RULES IMPLICATION**

As at the date of this announcement, each of Hebei Guanghui and Shandong Guanghui is indirectly wholly owned by CGA. CGA HK, the controlling shareholder of the Company, is indirectly held as to approximately 44.23% and 55.77% by CGA Limited (wholly owned by CGA) and CGA respectively. Therefore, each of Hebei Guanghui and Shandong Guanghui is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, each of the Hebei Acquisition and the Shandong Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Hebei Acquisition and the Shandong Acquisition are both involving acquisition of equity interests ultimately held by CGA and have been entered into by the Group within a 12 month period, the transactions contemplated under the Hebei Agreement and the Shandong Agreement shall be aggregated as if they were one transaction pursuant to Rule 14.23 of the Listing Rules.

As all the applicable percentage ratios (as defined under the Listing Rules) in relation to each of the Hebei Acquisition and Shandong Acquisition are more than 0.1% but less than 5%, each constitutes a connected transaction of the Company under the Listing Rules, and each of the transactions contemplated under the Hebei Acquisition and the Shandong Acquisition is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 18 November 2019 (after trading hours):-

1. Hebei Guanghui entered into the Hebei Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which Hebei Guanghui has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from Hebei Guanghui 100% equity interests in the Hebei Target for a consideration of RMB22.0 million (equivalent to approximately HK\$24.64 million); and
2. Shandong Guanghui entered into the Shandong Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which Shandong Guanghui has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from Shandong Guanghui 100% equity interests in the Shandong Target for a consideration of RMB10.6 million (equivalent to approximately HK\$11.87 million).

## THE HEBEI ACQUISITION

The key terms of the Hebei Agreement are summarized as follows:

### Date

18 November 2019

### Parties

- (1) Hebei Guanghui Investment Co., Ltd.\* (河北廣匯投資有限公司), as the vendor; and
- (2) Yanjun (China) Investment Co., Ltd.\* (燕駿(中國)投資有限公司), as the Purchaser.

### Assets to be acquired

Pursuant to the Hebei Agreement, Hebei Guanghui has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from Hebei Guanghui, 100% equity interests in the Hebei Target, for the Hebei Consideration.

### Consideration

The Hebei Consideration will be payable as follows:

Time of Payment	Amount Payable to Hebei Guanghui
On the signing date of the Hebei Agreement	RMB6.6 million (equivalent to approximately HK\$7.39 million)
Upon completion of the Hebei Business Registration	RMB15.4 million (equivalent to approximately HK\$17.25 million)
Total	RMB22.0 million (equivalent to approximately HK\$24.64 million)

The Hebei Consideration will be satisfied in cash from the Company's internal resources.

The Hebei Consideration was determined between Hebei Guanghui and the Purchaser after arm's length negotiations with reference to, among others, the registered capital of the Hebei Target and the appraised value of the entire equity interests of the Hebei Target as of 31 October 2019 based on the valuation report prepared by an independent valuer in the PRC with assets appraisal qualifications.

### **Business Registration**

Hebei Guanghui, as the sole shareholder of the Hebei Target as at the date of this announcement, will pass shareholder resolutions in relation to the transactions contemplated under the Hebei Agreement within five (5) calendar days after the signing of the Hebei Agreement. Within ten (10) business days after such shareholder resolutions have been passed, the Purchaser shall apply for the Hebei Business Registration. Hebei Guanghui shall provide necessary support to the Purchaser for the Hebei Business Registration.

### **Completion**

The completion of the transactions contemplated under the Hebei Agreement shall take place on the Hebei Completion Date.

### **Vendor Undertakings**

Hebei Guanghui undertakes that, immediately after signing of the Hebei Agreement by both parties thereof, it will no longer involve in the business operation of the Hebei Target or receive any of the Hebei Target's profit, dividend or property to be distributed.

### **Termination**

In the event when a party has materially breached or fails to perform any of its obligations under the Hebei Agreement, the non-breaching party will have the right to terminate the Hebei Agreement and claim for all economic loss suffered as a result of such breach or failure of performance.

## **THE SHANDONG ACQUISITION**

The key terms of the Shandong Agreement are summarized as follows:

### **Date**

18 November 2019

## Parties

- (1) Shandong Guanghui Auto Service Co., Ltd.\* (山東廣匯汽車服務有限公司), as the vendor;  
and
- (2) Yanjun (China) Investment Co., Ltd.\* (燕駿(中國)投資有限公司), as the Purchaser.

## Assets to be acquired

Pursuant to the Shandong Agreement, Shandong Guanghui has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from Shandong Guanghui, 100% equity interests in the Shandong Target, for the Shandong Consideration.

## Consideration

The Shandong Consideration will be payable as follows:

<b>Time of Payment</b>	<b>Amount Payable to Shandong Guanghui</b>
On the signing date of the Shandong Agreement	RMB3.18 million (equivalent to approximately HK\$3.56 million)
Upon completion of the Shandong Business Registration	RMB7.42 million (equivalent to approximately HK\$8.31 million)
Total	RMB10.6 million (equivalent to approximately HK\$11.87 million)

The Shandong Consideration will be satisfied in cash from the Company's internal resources.

The Shandong Consideration was determined between Shandong Guanghui and the Purchaser after arm's length negotiations with reference to, among others, the registered capital of the Shandong Target and the appraised value of the entire equity interests of the Shandong Target as of 31 October 2019 based on the valuation report prepared by an independent valuer in the PRC with assets appraisal qualifications.

## **Business Registration**

Shandong Guanghui, as the sole shareholder of the Shandong Target as at the date of this announcement, will pass shareholder resolutions in relation to the transactions contemplated under the Shandong Agreement within five (5) calendar days after the signing of the Shandong Agreement. Within ten (10) business days after such shareholder resolutions have been passed, the Purchaser shall apply for the Shandong Business Registration. Shandong Guanghui shall provide necessary support to the Purchaser for the Shandong Business Registration.

## **Completion**

The completion of the transactions contemplated under the Shandong Agreement shall take place on the Shandong Completion Date.

## **Vendor Undertakings**

Shandong Guanghui undertakes that, immediately after signing of the Shandong Agreement by both parties thereof, it will no longer involve in the business operation of the Shandong Target or receive any of the Shandong Target's profit, dividend or property to be distributed.

## **Termination**

In the event when a party has materially breached or fails to perform any of its obligations under the Shandong Agreement, the non-breaching party will have the right to terminate the Shandong Agreement and claim for all economic loss suffered as a result of such breach or failure of performance.

## **INFORMATION ON THE GROUP, THE PURCHASER, HEBEI GUANGHUI AND SHANDONG GUANGHUI**

The Group is principally engaged in the sales and services of motor vehicles. Its business mainly includes new car sales, after-sales maintenance, auto beauty, retrofitting, used car sales, auto insurance, auto parts and related-product sales business.

The Purchaser is a company incorporated under the laws of the PRC with limited liability and is principally engaged in outbound investments, research and development and consulting services.

Hebei Guanghui is a company incorporated under the laws of the PRC with limited liability and is principally engaged in the sales and services of motor vehicles, including new car sales, after-sales maintenance, auto beauty, retrofitting, used car sales, auto insurance, auto parts and related-product sales business.

Shandong Guanghui is a company incorporated under the laws of the PRC with limited liability and is principally engaged in car rental, car maintenance, auto accessories processing and sales and used car sales.

## **INFORMATION ON THE HEBEI TARGET AND THE SHANDONG TARGET**

The Hebei Target is a company incorporated under the laws of the PRC with limited liability and is principally engaged in car sales, auto accessories sales and after-sales maintenance.

The Shandong Target is a company incorporated under the laws of the PRC with limited liability and is principally engaged in BMW car sales and services.

### **Net Profit Before/After Tax**

The table below sets forth the financial information of the Hebei Target for the year ended 31 December 2018 and for the ten months ended 31 October 2019.

	<b>For the year ended 31 December 2018 (RMB in thousands) (Audited)</b>	<b>For the ten months ended 31 October 2019 (RMB in thousands) (Audited)</b>
Net profit (loss) before tax	—	(539.52)
Net profit (loss) after tax	—	(539.52)
Net asset value	—	21,460.48

*Note:* the Hebei Target was incorporated on 28 September 2018 and has not commenced business operation until September 2019

The table below sets forth the financial information of the Shandong Target for the ten months ended 31 October 2019.

**For the ten months ended  
31 October 2019**

*(RMB in thousands)*

*(Audited)*

Net profit (loss) before tax	—
Net profit (loss) after tax	—
Net asset value	10,600.00

*Note:* the Shandong Target was incorporated on 18 January 2019 and has not commenced business operation

## **INFORMATION ON CGA**

CGA is a company established under the laws of the PRC, and its shares are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297). The CGA Group is a leading passenger vehicle dealership and automobile service group and a leading passenger vehicle finance leasing provider in the PRC primarily engaged in the sale of motor vehicles and provision of after-sales services.

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Group is principally engaged in the sale and services of motor vehicles, and both the Hebei Target and the Shandong Target are principally engaged in the management and operation of 4S dealership stores of BMW and the businesses related to motor vehicles. As at the date of this announcement, each of the Hebei Target and the Shandong Target has obtained the authorization from, among others, BMW to operate their respective 4S dealership business. The Company considers such authorizations are valuable to the expansion of the Group's business in relation to the relevant 4S dealership, as such, the Board believes that the acquisitions of the Hebei Target and the Shandong Target will facilitate expansion of the network of the Group's sale and services of motor vehicles. The Board is also of the view that such acquisitions will further strengthen the reasonable allocation of the Company's resources, enhance sales and services, and is in line with the long term development of the Company.



The terms and conditions of the Hebei Agreement and Shandong Agreement are determined after arm's length negotiations between the parties. The Directors (including independent non-executive Directors) are of the view that the Hebei Agreement and Shandong Agreement have been entered into on normal commercial terms, is fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

## **INTERESTS OF DIRECTORS**

Mr. Li Jianping (chairman of the board of CGA), Mr. Wang Xinming (a director and the president of CGA), Mr. Qi Junjie (the secretary of the party committee of CGA), Mr. Lu Ao (a vice president and chief financial officer of CGA), Ms. Xu Xing (the secretary of the board and vice president of CGA) all serve at CGA. Each of them has abstained from voting on the Board resolution for considering and approving the entry of the Hebei Agreement and the Shandong Agreement. Save as disclosed above, there are no other Directors who have any material interest in the Hebei Agreement and the Shandong Agreement and no other Directors need to abstain from voting on the Board resolution for considering and approving the Hebei Agreement and the Shandong Agreement.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, each of Hebei Guanghui and Shandong Guanghui is indirectly wholly owned by CGA. CGA HK, the controlling shareholder of the Company, is indirectly held as to approximately 44.23% and 55.77% by CGA Limited (wholly owned by CGA) and CGA respectively. Therefore, each of Hebei Guanghui and Shandong Guanghui is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, each of the Hebei Acquisition and the Shandong Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Hebei Acquisition and the Shandong Acquisition are both involving acquisition of equity interests ultimately held by CGA and have been entered into by the Group within a 12 month period, the transactions contemplated under the Hebei Agreement and the Shandong Agreement shall be aggregated as if they were one transaction pursuant to Rule 14.23 of the Listing Rules.

As all the applicable percentage ratios (as defined under the Listing Rules) in relation to each of the Hebei Acquisition and Shandong Acquisition are more than 0.1% but less than 5%, each constitutes a connected transaction of the Company under the Listing Rules, and each of the transactions contemplated under the Hebei Acquisition and the Shandong Acquisition is subject to the reporting and announcement requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“CGA”	China Grand Automotive Services, Co., Ltd (廣匯汽車服務集團股份公司), a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297)
“CGA Group”	CGA and its subsidiaries
“CGA HK”	China Grand Automotive Services (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a connected person of the Company
“CGA Limited”	China Grand Automotive Services Co., Ltd.* (廣匯汽車服務有限責任公司), a company incorporated under the laws of the PRC with limited liability. It is wholly owned by CGA
“Company”	Grand Baoxin Auto Group Limited (廣匯寶信汽車集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1293)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hebei Acquisition”	the acquisition of 100% equity interests in the Hebei Target from Hebei Guanghui by the Purchaser pursuant to the terms of the Hebei Agreement

“Hebei Agreement”	the equity interests transfer agreement dated 18 November 2019 entered into between the Purchaser and Hebei Guanghui in relation to the transfer of 100% equity interests in the Hebei Target
“Hebei Business Registration”	necessary registration and/or filing in relation to the transactions contemplated under the Hebei Agreement at the relevant local SAIC
“Hebei Completion Date”	the date on which the Hebei Business Registration is completed at the relevant local SAIC
“Hebei Consideration”	the consideration for the Hebei Acquisition, being RMB22.0 million (equivalent to approximately HK\$24.64 million )
“Hebei Guanghui”	Hebei Guanghui Investment Co., Ltd.* (河北廣匯投資有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the CGA
“Hebei Target”	Shijiazhuang Mingzhibao Automobile Sales Service Company Limited* (石家莊銘之寶汽車銷售服務有限公司), a company incorporated on 28 September 2018 under the laws of the PRC with limited liability, whose registered capital is RMB22.0 million
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Yanjun (China) Investment Co., Ltd.* (燕駿(中國)投資有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	State Administration for Industry and Commerce
“Shareholders”	holders of Shares
“Shares”	the ordinary shares of HK\$0.01 each in the capital of the Company
“Shandong Acquisition”	the acquisition of 100% equity interests in the Shandong Target from Shandong Guanghui by the Purchaser pursuant to the terms of the Shandong Agreement
“Shandong Agreement”	the equity interests transfer agreement dated 18 November 2019 entered into between the Purchaser and Shandong Guanghui in relation to the transfer of 100% equity interests in the Shandong Target
“Shandong Business Registration”	necessary registration and/or filing in relation to the transactions contemplated under the Shandong Agreement at the relevant local SAIC
“Shandong Completion Date”	the date on which the Shandong Business Registration is completed at the relevant local SAIC
“Shandong Consideration”	the consideration for the Shandong Acquisition, being RMB10.6 million (equivalent to approximately HK\$11.87 million )
“Shandong Guanghui”	Shandong Guanghui Auto Service Co., Ltd.* (山東廣匯汽車服務有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the CGA

“Shandong Target”	Xuzhou Mingzhibao Automobile Sales Service Company Limited* (徐州銘之寶汽車銷售服務有限公司), a company incorporated on 18 January 2019 under the laws of the PRC with limited liability, whose registered capital is RMB20.0 million
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB 1 = HK\$1.12. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.*

By order of the Board  
**Grand Baoxin Auto Group Limited**  
**Li Jianping**  
*Chairman*

Shanghai, the PRC  
18 November 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Li Jianping, Mr. Wang Xinming, Mr. Qi Junjie, Mr. Lu Ao and Ms. Xu Xing; the independent non-executive Directors are Mr. Diao Jianshen, Ms. Liu Yangfang and Mr. Chan Wan Tsun Adrian Alan.*

\* *For identification purpose only.*