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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 TRANSACTIONS IN RELATION TO THE DISPOSALS OF THE TARGET COMPANIES

THE DISPOSALS

The Board is pleased to announce that on 30 June 2020 (after trading hours):

- (i) Beijing Chendebao (an indirect wholly-owned subsidiary of the Company) and Guanghui International entered into the Beijing Old Automobile Sale and Purchase Agreement in relation to the disposal of 100% of the equity interests in Beijing Old Automobile at a consideration of RMB610,000 (equivalent to approximately HK\$665,000);
- (ii) Shanghai Hongqiao (an indirect wholly-owned subsidiary of the Company) and Guanghui International entered into a Shanghai Shenlong Sale and Purchase Agreement in relation to the disposal of 100% of the equity interests in Shanghai Shenlong at a consideration of RMB5,440,000 (equivalent to approximately HK\$5,930,000); and
- (iii) Sichuan Ganghong (an indirect wholly-owned subsidiary of the Company) and Guanghui International entered into a Sichuan Xinyue Sale and Purchase Agreement in relation to the disposal of 100% of the equity interests in Sichuan Xinyue at a consideration of RMB3,680,000 (equivalent to approximately HK\$4,011,000).

Each of the Target Companies is principally engaged in the provision of identification, evaluation and trading of second-hand motor vehicles.

Upon Completion, the Vendors will cease to have any equity interests in the respective Target Companies and the Target Companies will cease to be subsidiaries of the Company.

LISTING RULES IMPLICATIONS

Guanghui International is a wholly-owned subsidiary of 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, Guanghui International is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entries of the Sale and Purchase Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Sale and Purchase Agreements had been entered into between the Group with the same purchaser, namely Guanghui International, the Disposals will be aggregated as a series of transactions pursuant to Rule 14A.82 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the entries of the Sale and Purchase Agreements is more than 0.1% but less than 5%, the entries of the Sale and Purchase Agreements are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE DISPOSALS

The Board is pleased to announce that on 30 June 2020 (after trading hours):

- (i) Beijing Chendebao (an indirect wholly-owned subsidiary of the Company) and Guanghui International entered into the Beijing Old Automobile Sale and Purchase Agreement in relation to the disposal of 100% equity interests in Beijing Old Automobile at a consideration of RMB610,000 (equivalent to approximately HK\$665,000);
- (ii) Shanghai Hongqiao (an indirect wholly-owned subsidiary of the Company) and Guanghui International entered into the Shanghai Shenlong Sale and Purchase Agreement in relation to the disposal of 100% equity interests in Shanghai Shenlong at a consideration of RMB5,440,000 (equivalent to approximately HK\$5,930,000); and

- (iii) Sichuan Ganghong (an indirect wholly-owned subsidiary of the Company) and Guanghui International entered into the Sichuan Xinyue Sale and Purchase Agreement in relation to the disposal of 100% equity interests in Sichuan Xinyue at a consideration of RMB3,680,000 (equivalent to approximately HK\$4,011,000).

Each of the Target Companies is principally engaged in the provision of identification, evaluation and trading of second-hand motor vehicles.

The Sale and Purchase Agreements

The principal terms of each of the Sale and Purchase Agreements are set out below:

(i) *In respect of the Beijing Old Automobile Sale and Purchase Agreement*

Date

30 June 2020

Parties

- (i) Beijing Chendebao (an indirect wholly-owned subsidiary of the Company), as the vendor; and
- (ii) Guanghui International, as the purchaser

Asset to be disposed of

100% equity interests in Beijing Old Automobile

Consideration

RMB610,000 (equivalent to approximately HK\$665,000)

The consideration for the disposal of Beijing Old Automobile will be payable by Guanghui International as follows:

Time of payment	Amount Payable by Guanghui International
Within 15 working days after signing of the Beijing Old Automobile Sale and Purchase Agreement	RMB122,000 (equivalent to approximately HK\$133,000), representing 20% of the consideration
Within 30 working days after completion of the transfer of 100% equity interests in Beijing Old Automobile	RMB305,000 (equivalent to approximately HK\$332,500), representing 50% of the consideration
Within six months upon completion of the business registration in relation to the disposal with the relevant local SAIC	RMB183,000 (equivalent to approximately HK\$199,500), representing 30% of the consideration

The consideration for the disposal of Beijing Old Automobile was determined between the parties after arm's length negotiations and on normal commercial terms, with reference to, among others, the audited financial statements of Beijing Old Automobile for the year ended 31 December 2019 and the appraised asset value of Beijing Old Automobile as at 30 April 2020 based on a valuation report prepared by an independent valuer qualified for conducting asset appraisal in the PRC.

Business registration

Beijing Chendebao shall, within 30 working days after receipt of the first instalment of the consideration, apply for the business registration in relation to the disposal of 100% equity interests in Beijing Old Automobile to Guanghui International with the relevant local SAIC.

Termination

In the event that Guanghui International fails to pay any part of the consideration under the Beijing Old Automobile Sale and Purchase Agreement within 30 days when such consideration becomes due, Beijing Chendebao shall have the right to terminate the Beijing Old Automobile Sale and Purchase Agreement and Guanghui International shall pay 10% of the consideration under the Beijing Old Automobile Sale and Purchase Agreement as liquidated damages.

(ii) In respect of the Shanghai Shenlong Sale and Purchase Agreement

Date

30 June 2020

Parties

- (i) Shanghai Hongqiao (an indirect wholly-owned subsidiary of the Company), as the vendor; and
- (ii) Guanghai International, as the purchaser

Asset to be disposed of

100% equity interests in Shanghai Shenlong

Consideration

RMB5,440,000 (equivalent to approximately HK\$5,930,000)

The consideration for the disposal of Shanghai Shenlong will be payable by Guanghai International as follows:

Time of payment	Amount Payable by Guanghai International
Within 15 working days after signing of the Shanghai Shenlong Sale and Purchase Agreement	RMB1,088,000 (equivalent to approximately HK\$1,186,000), representing 20% of the consideration
Within 30 working days after completion of the transfer of 100% equity interests in Shanghai Shenlong	RMB2,720,000 (equivalent to approximately HK\$2,965,000), representing 50% of the consideration
Within six months upon completion of the business registration in relation to the disposal with the relevant local SAIC	RMB1,632,000 (equivalent to approximately HK\$1,779,000), representing 30% of the consideration

The consideration of the disposal of Shanghai Shenlong were determined between the parties after arm's length negotiations and on normal commercial terms, with reference to, among others, the audited financial statements of Shanghai Shenlong for the year ended 31 December 2019 and the appraised asset value of Shanghai Shenlong as at 30 April 2020 based on a valuation report prepared by an independent valuer qualified for conducting asset appraisal in the PRC.

Business registration

Shanghai Hongqiao shall, within 30 working days after receipt of the first instalment of the consideration, apply for the business registration in relation to the disposal of 100% equity interests in Shanghai Shenlong to Guanghui International with the relevant local SAIC.

Termination

In the event that Guanghui International fails to pay any part of the consideration under the Shanghai Shenlong Sale and Purchase Agreement within 30 days when such consideration becomes due, Shanghai Hongqiao shall have the right to terminate the Shanghai Shenlong Sale and Purchase Agreement and Guanghui International shall pay 10% of the consideration under the Shanghai Shenlong Sale and Purchase Agreement as liquidated damages.

(iii) In respect of the Sichuan Xinyue Sale and Purchase Agreement

Date

30 June 2020

Parties

- (i) Sichuan Ganghong (an indirectly wholly-owned subsidiary of the Company), as the vendor; and
- (ii) Guanghui International

Asset to be disposed of

100% equity interest in Sichuan Xinyue

Consideration

RMB3,680,000 (equivalent to approximately HK\$4,011,000)

The consideration for the disposal of Sichuan Xinyue will be payable by Guanghui International as follows:

Time of payment	Amount Payable by Guanghui International
Within 15 working days after signing of the Sichuan Xinyue Sale and Purchase Agreement	RMB736,000 (equivalent to approximately HK\$802,200), representing 20% of the consideration
Within 30 working days after completion of the transfer of 100% equity interests in Sichuan Xinyue	RMB1,840,000 (equivalent to approximately HK\$2,005,500), representing 50% of the consideration
Within six months upon completion of the business registration in relation to the disposal with the relevant local SAIC	RMB1,104,000 (equivalent to approximately HK\$1,203,300), representing 30% of the consideration

The consideration for the disposal of Sichuan Xinyue was determined between the parties after arm's length negotiations and on normal commercial terms, with reference to, among others, the audited financial statements of Sichuan Xinyue for the year ended 31 December 2019 and the appraised asset value of Sichuan Xinyue as at 30 April 2020 based on a valuation report prepared by an independent valuer qualified for conducting asset appraisal in the PRC.

Business registration

Sichaun Ganghong shall, within 30 working days after receipt of the first instalment of the consideration, apply for the business registration in relation to the disposal of 100% equity interests in Sichuan Xinyue to Guanghui International with the relevant local SAIC.

Termination

In the event that Guanghui International fails to pay any part of the consideration under the Sichuan Xinyue Sale and Purchase Agreement within 30 days when such consideration becomes due, Sichuan Ganghong shall have the right to terminate the Sichuan Xinyue Sale and Purchase Agreement and Guanghui International shall pay 10% of the consideration under the Sichuan Xinyue Sale and Purchase Agreement as liquidated damages.

INFORMATION ON THE VENDORS

Beijing Chendebao is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, it holds 100% equity interests in Beijing Old Automobile. It is principally engaged in BMW car sales and services.

Shanghai Hongqiao is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, it holds 100% equity interests in Shanghai Shenlong. It is principally engaged in automobile sales, automobile parts sales and old automobile distributions.

Sichuan Ganghong is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, it holds 100% equity interests in Sichuan Xinyue. It is principally engaged in automobile spare parts wholesales, car beauty and technical services.

INFORMATION ON GUANGHUI INTERNATIONAL

Guanghui International is a company established under the laws of the PRC with limited liability and it is wholly-owned by CGA, which is a company listed on the Shanghai Stock Exchange. It is principally engaged in automobile and automobile parts sales, automobile decorations sales, second-hand automobile distributions and car rental services.

INFORMATION ON THE TARGET COMPANIES

Beijing Old Automobile is a company established under the laws of the PRC with limited liability and is principally engaged in the identification, evaluation and trading of second-hand motor vehicles.

Shanghai Shenlong is a company established under the laws of the PRC with limited liability and is principally engaged in the identification, evaluation and trading of second-hand motor vehicles.

Sichuan Xinyue is a company established under the laws of the PRC with limited liability and is principally engaged in the identification, evaluation and trading of second-hand motor vehicles.

Upon Completion, the Vendors will cease to have any equity interests in the respective Target Companies and the Target Companies will cease to be subsidiaries of the Company.

Financial information of the Target Companies

The tables below set forth the audited financial information of each of (i) Beijing Chendebao; (ii) Shanghai Shenlong; and (iii) Sichuan Xinyue for the years ended 31 December 2018 and 2019 based on the audited financial statement of each of the Target Companies prepared in accordance with the accounting principles generally accepted in the PRC.

Beijing Old Automobile

	For the year ended 31 December	
	2018	2019
	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)
Revenue	— (equivalent to approximately HK\$—)	973,026 (equivalent to approximately HK\$1,060,598)
(Loss)/profit before taxation	(149,137) (equivalent to approximately HK\$(162,559))	631,960 (equivalent to approximately HK\$688,836)
(Loss)/profit after taxation	(149,137) (equivalent to approximately HK\$(162,559))	613,857 (equivalent to approximately HK\$669,104)

Shanghai Shenlong

	For the year ended 31 December	
	2018	2019
	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)
Revenue	13,998,704 (equivalent to approximately HK\$15,258,587)	23,634,920 (equivalent to approximately HK\$25,762,063)
(Loss)/profit before taxation	3,156,105 (equivalent to approximately HK\$3,440,154)	5,926,663 (equivalent to approximately HK\$6,460,063)
(Loss)/profit after taxation	3,156,105 (equivalent to approximately HK\$3,440,154)	5,145,429 (equivalent to approximately HK\$5,608,518)

Sichuan Xinyue

For the year ended 31 December		
	2018	2019
	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)
Revenue	706,590 (equivalent to approximately HK\$770,183)	1,554,297 (equivalent to approximately HK\$1,694,184)
(Loss)/profit before taxation	(706,999) (equivalent to approximately HK\$(770,629))	(335,857) (equivalent to approximately HK\$(366,084))
(Loss)/profit after taxation	(706,722) (equivalent to approximately HK\$(770,327))	(335,857) (equivalent to approximately HK\$(366,084))

Based on the audited financial statements for each of the Target Companies for the year ended 31 December 2019 and based on the valuation report for each of the Target Companies prepared by an independent valuer in the PRC with assets appraisal qualifications, the appraised asset value of each of the Target Companies as of 30 April 2020 were as follows:

Name of Target Companies	Asset value as at 30 April 2020
	<i>RMB</i>
Beijing Old Automobile	605,600 (equivalent to approximately HK\$660,104)
Shanghai Shenlong	5,421,100 (equivalent to approximately HK\$5,908,999)
Sichuan Xinyue	3,677,500 (equivalent to approximately HK\$4,008,475)

FINANCIAL EFFECTS OF THE DISPOSALS

The Group is expected to record a gain of approximately RMB25,800 (equivalent to approximately HK\$28,122) as a result the Disposals, being the difference between (i) the amount of consideration and (ii) the total net assets of the Target Companies as at 30 April 2020. The final amount of financial gain is subject to the final audit to be performed by the Company's auditor.

REASONS FOR THE DISPOSALS AND THE USE OF PROCEEDS

The Group is principally engaged in the sale and service of motor vehicles. The Directors consider that the Disposals is one of the steps for the Group to continue to focus on its sales of luxury and ultra-luxury automobiles and provide high-quality services at the same time to its customers. The financial performance of the Target Companies did not meet the expectations of the Group and the Directors are of the view that the operations of the Group will be streamlined and more efficient upon completion of the Disposals. In addition, the Group can also reduce its operating costs on low-performance businesses. The Disposals are in line with the Group's plan to optimise its internal entities in order to achieve a structure that is beneficial to the Group and its Shareholders.

The Directors expect that the net proceeds from the Disposals, after deducting the relevant expenses, will be approximately RMB9,730,000 (equivalent to approximately HK\$10,606,000) and such proceeds will be used by the Company as general working capital.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposals are fair and reasonable and on normal commercial terms and are in the interests of the Company and the 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. Lu Ao (a vice president and chief financial officer of CGA), Ms. Xu Xing (a vice president and secretary of the board 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 Sale and Purchase Agreements. Save as disclosed above, there are no other Directors who have any material interest in the Sale and Purchase Agreements and no other Directors need to abstain from voting on the Board resolution for considering and approving the Sale and Purchase Agreements.

LISTING RULES IMPLICATIONS

Guanghui International is a wholly-owned subsidiary of 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, Guanghui International is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entries of the Sale and Purchase Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the Sale and Purchase Agreements had been entered into between the Group with the same purchaser, namely Guanghui International, the Disposals will be aggregated as a series of transactions pursuant to Rule 14A.82 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the entries of the Sale and Purchase Agreements is more than 0.1% but less than 5%, the entries of the Sale and Purchase Agreements are subject to the reporting and announcement requirements but are 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 shall have the meaning below:

“Beijing Old Automobile”	Beijing Chendebao Old Automobile Brokerage Co., Ltd.* (北京晨德寶舊機動車經紀有限公司), a company incorporated under the laws of the PRC with limited liability. As at the date of this announcement, Beijing Old Automobile is a wholly-owned subsidiary of Beijing Chendebao
“Beijing Old Automobile Sale and Purchase Agreement”	the sale and purchase agreement entered into between Beijing Chendebao and Guanghui International dated 30 June 2020
“Beijing Chendebao”	Beijing Chendebao Auto Sale Services Co., Ltd* (北京晨德寶汽車銷售服務有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company
“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 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 a wholly-owned subsidiary of CGA
“Company”	Grand Baoxin Auto Group Limited (廣匯寶信汽車集團有限公司), an company incorporated in the Cayman Islands with limited liability, the 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 thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Disposals”	the disposals of the entire equity interests in the respective Target Companies by the Vendors under the Sale and Purchase Agreements
“Director(s)”	the director(s) of the Company
“Guanghui International”	Guanghui International Auto Trading Co., Ltd.* (廣匯國際汽車貿易有限責任公司) a company established under the laws of the PRC with limited liability, which is wholly-owned by CGA
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	the lawful currency of Hong Kong
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	State Administration for Industry and Commerce
“Sale and Purchase Agreements”	collectively, the Beijing Old Automobile Sale and Purchase Agreement, the Shanghai Shenlong Sale and Purchase Agreement and the Sichuan Xinyue Sale and Purchase Agreement
“Share(s)”	Share(s) in the share capital of the Company, with a nominal value of HK\$0.01 each
“Shanghai Hongqiao”	Shanghai Pacific Hongqiao Auto Trading Co., Ltd* (上海太平洋虹橋汽車貿易有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shanghai Shenlong”	Shanghai Pacific Shenlong Auto Sales Service Co., Ltd.* (上海太平洋申隆汽車銷售服務有限公司), a company established under the laws of the PRC with limited liability. As at the date of this announcement, Shanghai Shenlong is a wholly-owned subsidiary of Shanghai Hongqiao
“Shanghai Shenlong Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Shanghai Hongqiao and Guanghui International dated 30 June 2020
“Sichuan Ganghong”	Sichuan Ganghong Corporate Management Co., Ltd* (四川港宏企業管理有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sichuan Xinyue Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Sichuan Ganghong and Guanghui International dated 30 June 2020

“Sichuan Xinyue”	Sichuan Ganghong Xinyue Auto Service Co., Ltd.* (四川港宏心悦汽車服務有限公司), a company established under the laws of the PRC with limited liability. As at the date of this announcement, Sichuan Xinyue is a wholly-owned subsidiary of Sichuan Ganghong
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Target Companies “	collectively, (i) Sichuan Xinyue; (ii) Shanghai Shenlong; and (iii) Beijing Old Automobile
“Vendors”	collectively, (i) Beijing Chendebao; (ii) Shanghai Hongqiao; and (iii) Sichuan Ganghong
“%”	per cent

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

The PRC, 30 June 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Li Jianping, Mr. Wang Xinming, 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*