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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)

CONTINUING CONNECTED TRANSACTIONS PROCUREMENT FRAMEWORK AGREEMENT

PROCUREMENT FRAMEWORK AGREEMENT

The Board announces that on 28 May 2021 (after trading hours), the Company and CGA, the controlling shareholder of the Company, entered into the Procurement Framework Agreement, pursuant to which the parties have agreed that the Group and the CGA Group will purchase from and sell to each other certain Passenger Vehicles, passenger vehicles parts and accessories in accordance with the terms of the Procurement Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGA, through its indirectly wholly-owned subsidiary, China Grand Auto (Hong Kong), holds approximately 67.70% of the issued share capital of the Company, and it is therefore a controlling shareholder and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Procurement Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Proposed Purchase Annual Caps and the Proposed Sales Annual Caps contemplated under the Procurement Framework Agreement are more than 0.1% but are less than 5%, the transactions contemplated under the Procurement Framework Agreement are only subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

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THE PROCUREMENT FRAMEWORK AGREEMENT

The principal terms of the Procurement Framework Agreement are set out below:

Date	: 28 May 2021
Parties	: (1) The Company; and (2) CGA
Term	: 28 May 2021 to 31 December 2023
Products	: Certain Passenger Vehicles, passenger vehicles parts and accessories

The Procurement Framework Agreement sets out the principles upon which the detailed terms in relation to the sale and purchase of certain Passenger Vehicles, passenger vehicles parts and accessories between the Group and CGA Group are to be determined.

Pursuant to the Procurement Framework Agreement, a member of the Group will enter into definitive agreements with a relevant member of the CGA Group from time to time to provide for detailed terms of each single transaction, including the types of Passenger Vehicles, passenger vehicles parts and accessories to be purchased, the payment and settlement terms, in accordance with the principles set out in the Procurement Framework Agreement.

Proposed annual caps

The Proposed Purchase Annual Caps for the aggregate amount to be paid by the Company under the Procurement Framework Agreement for the period from 28 May 2021 to 31 December 2023 are set out as follows:

Period	Proposed Purchase Annual Caps (RMB million)
For the period from 28 May 2021 to 31 December 2021	50
For the year ending 31 December 2022	60
For the year ending 31 December 2023	70

The Proposed Sales Annual Caps for the aggregate amount to be paid by CGA under the Procurement Framework Agreement for the period from 28 May 2021 to 31 December 2023 are set out as follows:

Period	Proposed Sales Annual Caps (RMB million)
For the period from 28 May 2021 to 31 December 2021	20
For the year ending 31 December 2022	20
For the year ending 31 December 2023	20

The Proposed Purchase Annual Caps and the Proposed Sales Annual Caps were determined after taking into account, among others, the operation needs of the Group, which is based on the internal business strategies of the Group and the demand of the Passenger Vehicles, passenger vehicles parts and accessories from the CGA Group.

Price determination

The Group and the CGA Group will determine the prices of the Passenger Vehicles, passenger vehicles parts and accessories with reference to the market prices of the relevant products at the relevant time. Where any material changes in the market result in the fluctuation of the costs of such products, the parties shall adjust the pricing through amicable negotiations.

In determining the price of the purchase of products by the Group from the CGA Group, the Group will seek to obtain the prevailing market prices through various channels, including, among others, (a) comparable transactions namely, with similar types of products, quantity and specifications, with Independent Third Parties during the same period; (b) maintaining contacts with established suppliers which are Independent Third Parties through enquiries and obtaining price quotations from them regularly; and (c) conducting market price research on a monthly basis through various independent market data providers. Based on such market price information, the Group will compare and negotiate terms of quotations with these suppliers after taking into account factors including the lowest price quotations, quality of products, ability and capacity to meet specifications and delivery schedules, qualifications and relevant experience. The contract will be awarded to the suppliers who offer the best commercial terms to the Group after comprehensive assessment.

On the other hand, in determining the prices of the sale of the products by the Group to the CGA Group, the Group will make reference to the pricing system adopted by the Group which aligns with the expected market demand and competition strategy of the Group by reference to the designated mark-ups for different customers. The Group will consider the business reputation, financial capacity of the purchase of the products by the customers, credit terms for payment, goods delivery arrangements and purchase volume.

Payment terms

Payment will be settled on a monthly basis based on the number of Passenger Vehicles and passenger vehicles parts and accessories sold in that month pursuant to the definitive agreements. The Passenger Vehicles and the passenger vehicles parts and accessories will be delivered according to the individual definitive agreements to be entered into. The payment terms under each separate individual definitive agreements shall be determined with reference to the payment terms of the sale and purchase with Independent Third Parties under similar conditions to ensure that the payment terms are in line with the market practice.

Detailed terms (including types and quantities of Passenger Vehicles and passenger vehicles parts and accessories required) will be governed by separate individual definitive agreements entered into between members of the Group and the CGA Group which shall follow the terms and principles under the Procurement Framework Agreement.

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). CGA is a leading passenger vehicle dealership and automobile service group and a leading passenger vehicle finance leasing provider in the PRC primarily engaged in automobile sales and the whole life cycle after sales services such as sale of automobiles, passenger vehicle financing leasing, maintenance and service, commission agent services (including insurance and financing agent, agent for extension of automobile insurance, pre-owned automobile trading brokering services).

INFORMATION ON THE GROUP

The Group is principally engaged in the sales and services of luxury automobiles. 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.

REASONS FOR AND BENEFITS ON THE ENTRY OF THE PROCUREMENT FRAMEWORK AGREEMENT

The main reason the Group and the CGA Group purchase from and sell to each other Passenger Vehicles and passenger vehicles parts and accessories according to the Procurement Framework Agreement is that the Group is mainly the dealer of luxury passenger vehicle brands (e.g. BMW and Audi, etc.) and its business is mainly focused in the Eastern part of China. On the other hand, CGA focuses on mid-to-high end passenger vehicles brands (e.g. Buick and Nissan, etc.) and its sales network covers most parts of China, except Eastern China. Therefore, the Company and CGA target different geographical location with different clientele.

The entry of the Procurement Framework Agreement between the Company and CGA not only could benefit the Group to expand its sales and fulfil the short-term purchase needs of consumers for brands which are distributed by the CGA Group, but could also expand the Group's Passenger Vehicles sales to other parts of China, thereby promoting the Group's brand and product portfolio.

The Directors (including the independent non-executive Directors) consider that the terms of the Procurement Framework Agreement and the transactions contemplated thereunder are fair and reasonable and that the Procurement Framework Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INTERESTS OF DIRECTORS

Mr. Lu Wei (chairman of the board of CGA), Mr. Wang Xinming (a director and the president of CGA), Mr. Lu Ao (a director and vice president and chief financial officer of CGA) and Ms. Xu Xing (a director and 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 Procurement Framework Agreement. Save as disclosed above, there are no other Directors who have any material interest in the Procurement Framework Agreement and no other Directors need to abstain from voting on the Board resolutions for approving the Procurement Framework Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGA, through its indirectly wholly-owned subsidiary, China Grand Auto (Hong Kong), holds approximately 67.70% of the issued share capital of the Company, and it is therefore a controlling shareholder and a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Procurement Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Proposed Purchase Annual Caps and the Proposed Sales Annual Caps contemplated under the Procurement Framework Agreement are more than 0.1% but are less than 5%, such transactions are only subject to reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meaning below:

“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 Group”	CGA and its subsidiaries, excluding the Group

“China Grand Auto (Hong Kong)”	China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司), a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of CGA
“Company”	Grand Baoxin Auto Group Limited (廣匯寶信汽車集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 1293)
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director”	a director of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third parties independent of the Company and not a commented person (as defined in the Listing Rules) of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Passenger Vehicles”	for the purpose of this announcement, means new passenger vehicles and second-hand passenger vehicles
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Procurement Framework Agreement”	the procurement framework agreement dated 28 May 2021 entered into between the Company and CGA, pursuant to which the Group and the CGA Group will purchase from and sell to each other certain Passenger Vehicles, passenger vehicles parts and accessories
“Proposed Purchase Annual Caps”	the annual caps in respect of the purchase of certain Passenger Vehicles, passenger vehicles parts and accessories by the Group from CGA Group

“Proposed Sales Annual Caps”	the annual caps in respect of the sales of certain Passenger Vehicles, passenger vehicles parts and accessories by the Group to CGA Group
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Grand Baoxin Auto Group Limited
LU Wei
Chairman

The PRC, 28 May 2021

As at the date of this announcement, the Company’s executive directors are Mr. LU Wei, Mr. WANG Xinming, Mr. LU Ao and Ms. XU Xing; and the independent non-executive directors are Mr. DIAO Jianshen, Ms. LIU Yangfang and Mr. CHAN Wan Tsun Adrian Alan.