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Sunfonda Group Holdings  
**SUNFONDA GROUP HOLDINGS LIMITED**  
**新豐泰集團控股有限公司**

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

**(Stock Code: 01771)**

**CONTINUING CONNECTED TRANSACTION**  
**MERCHANDISE SALE AND PURCHASE FRAMEWORK AGREEMENT**  
**WITH YANGZHOU SUNFONDA AUTOMOBILE CO., LTD.**

Reference is made to the announcement of Sunfonda Group Holdings Limited (the “**Company**”) dated 1 December 2016 in relation to the automobile sales agreement entered into between Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (“**Shaanxi Sunfonda**”), a subsidiary of the Company, and Yangzhou Sunfonda Automobile Co., Ltd. (“**Yangzhou Sunfonda**”), a connected person of the Company, pursuant to which Shaanxi Sunfonda would sell imported Volkswagen automobiles to Yangzhou Sunfonda from 1 January 2017 to 31 December 2019.

The board of directors of the Company (the “**Board**”) is pleased to announce that on 30 June 2017 the Company has entered into a merchandise sale and purchase framework agreement (the “**MSP Framework Agreement**”) with Yangzhou Sunfonda, pursuant to which the Company and its subsidiaries (the “**Group**”) may purchase merchandise, primarily including imported Volkswagen automobiles and related spare parts from Yangzhou Sunfonda from time to time. The MSP Framework Agreement will be effective for a term of three years from 1 January 2017 to 31 December 2019, the principal terms of which are summarized below.

**DETAILS OF THE MSP FRAMEWORK AGREEMENT**

Date: 30 June 2017

Parties: The Company as purchaser

Yangzhou Sunfonda as supplier

**Subject matter:** The Group may purchase merchandise, primarily including imported Volkswagen automobiles and related spare parts, from Yangzhou Sunfonda from time to time.

**Term:** The MSP Framework Agreement will be effective for a term of three years from 1 January 2017 to 31 December 2019.

**Pricing policy:** Pursuant to the MSP Framework Agreement, the Company may purchase imported Volkswagen automobile and spare parts from Yangzhou Sunfonda on a wholesale basis through its subsidiaries which are engaged in the distribution of the imported Volkswagen brand (including Shaanxi Sunfonda). The Group may deploy imported Volkswagen automobiles from Yangzhou Sunfonda as its operations require so as to have sufficient imported Volkswagen automobiles available for sale in the market. The unit purchase price of imported Volkswagen automobiles and related spare parts equals to the purchase price offered to the Group by Volkswagen Group Import (China) Co., Ltd. Therefore, the prices at which the Group purchases imported Volkswagen automobiles and related spare parts from Yangzhou Sunfonda on a wholesale basis will not be higher than those offered to the Group by Volkswagen Group Import (China) Co., Ltd., and neither the Group nor Yangzhou Sunfonda will profit from any price differentiation from the MSP Framework Agreement and transactions contemplated thereunder. Such purchase prices are in line with the pricing policy of the purchase business conducted by the Company with other independent automobile dealers. The Company believes that the pricing policy for purchasing imported Volkswagen automobiles and related spare parts from Yangzhou Sunfonda is fair and reasonable.

## ANNUAL CAPS AND BASIS OF DETERMINATION

### Annual Caps

	2017		2018		2019	
	Sales Volume	Sales Amount (RMB'000)	Sales Volume	Sales Amount (RMB'000)	Sales Volume	Sales Amount (RMB'000)
Imported Volkswagen automobiles	20	9,000	23	10,350	26	11,700
Automobile spare parts	–	800	–	960	–	1,152
<b>Total sales amount</b>		<b>9,800</b>		<b>11,310</b>		<b>12,852</b>

## **Basis of Determination**

The number of external sales of imported Volkswagen automobiles made by the Group increases steadily year-on-year. The annual caps for the purchase of imported Volkswagen automobiles are determined with reference to the actual sales volume of the previous year, the estimated number of automobiles to be deployed by the Group from Yangzhou Sunfonda from 2017 to 2019 and the growth rate of the external sales of imported Volkswagen automobiles multiplied by the unit selling price of imported Volkswagen automobiles. The unit selling price of imported Volkswagen automobiles is in line with the purchase price of imported Volkswagen automobiles offered to Yangzhou Sunfonda by the Group and to the Group by Volkswagen Group Import (China) Co., Ltd. Further, the Group determines the annual caps for the purchase of automobile spare parts by multiplying the unit price of automobile spare parts by the estimated annual purchase volume of automobile spare parts. The price at which the Company purchases automobile spare parts from Yangzhou Sunfonda will not be higher than the purchase price of automobile spare parts offered to the Company by any independent third party.

## **REASONS FOR ENTERING INTO THE TRANSACTION**

The Group has established years of cooperation relationship with Yangzhou Sunfonda. Their cooperation over the years has deepened the mutual understanding between the Group and Yangzhou Sunfonda and has thus laid a good foundation for cooperation. In addition, the business in Jiangsu region, where Yangzhou Sunfonda operates, is growing rapidly with dense network of dealership outlets. Two of the Company's subsidiaries, both of which are dealers of imported Volkswagen automobiles, are located in Jiangsu region, which is also the region where Yangzhou Sunfonda is located. In the automobile sales industry, popular car models vary across different cities. In order to avoid the negative effect of excessive inventories to the Company and its Shareholders, the Group sells a portion of imported Volkswagen automobiles to Yangzhou Sunfonda every year. Meanwhile, in selling imported Volkswagen automobiles of the Group, the Group may purchase such models not in its inventory from the nearby Yangzhou Sunfonda to meet the immediate needs of its customers in a timely manner, thus capturing more business opportunities. Resource allocation of new automobiles and marketability of dealers differs from region to region. Such trans-regional purchases of new automobiles enables us to solve the problem of unbalanced allocation of new automobile resources, match the models we have with our marketability and maximise our profit. Regarding urgent spare parts needs for repair and maintenance purpose or spare parts temporarily unavailable from Volkswagen Group Import (China) Co., Ltd., the Group may also purchase such spare parts from Yangzhou Sunfonda to improve its spares fill rate, satisfy the supply requirements of spare parts and do repair and maintenance business quickly. Yangzhou Sunfonda is a supplementary purchase channel of the Group in Jiangsu region. Finally, the Group purchases imported Volkswagen automobiles from Yangzhou Sunfonda at the same price at which Yangzhou Sunfonda purchases imported Volkswagen automobiles from the Group and there is no price difference between them. The price at which the Group purchases automobile spare parts from Yangzhou Sunfonda is not higher than the purchase price offered to the Group by any independent third party. Therefore, the Company believes that the purchase of imported Volkswagen automobiles and related spare parts from Yangzhou Sunfonda is in the interests of the Company and its Shareholders as a whole.

## **INTERNAL CONTROL PROCEDURES ADOPTED FOR CONTINUING CONNECTED TRANSACTIONS**

The Company has adopted the following internal control procedures to ensure the continuing connected transactions are fair and reasonable and on normal commercial terms:

- The Company has adopted and implemented a management system on connected transactions. Under this system, our finance department is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and Listing Rules in respect of continuing connected transactions. In addition, the finance department, operation department, audit department, legal affairs department and other relevant departments of the Company are jointly responsible for evaluating the transaction terms under agreements governing continuing connected transactions, in particular, the fairness of the pricing terms under each agreements; and
- The independent non-executive Directors have also reviewed and will continue to review the renewed agreements governing continuing connected transactions to ensure such agreements, where applicable, are entered 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 caps of such agreements.

In determining the actual prices of supplying products and services to the Company, the relevant supplier will first offer a proposed price to the Company. As mentioned above, in order to ensure the pricing terms under continuing connected transaction agreements are fair and reasonable, the finance department and other relevant departments of the Company will conduct the following audit procedures on the proposed price offered by suppliers:

- Compare the proposed price with market price available to ensure the proposed price is not higher than the selling price of spare parts or products with similar specification, technological and quality requirements from other manufacturers;
- If no market price available for comparison, determine the fairness and reasonableness of the proposed price with reference to the total costs of relevant spare part or automobile by estimating its manufacturing costs with reference to (i) the market price of raw materials or products in progress constituting such spare part or automobile; and (ii) the nature, function, technology, level of quality of such spare parts or automobile, plus an amount no more than the maximum profit level prescribed in relevant agreements based on the complexity of its technology and quality control procedures; and
- Review the proposed price to ensure such price is in line with the price under the relevant agreement and terms offered by supplier to the Company are no less favorable than those offered to independent third parties.

## **LISTING RULES IMPLICATIONS**

Yangzhou Sunfonda is wholly-owned by Mr. Zhao Yijian, who is the brother-in-law and the brother of Mr. Wu Tak Lam and Ms. Chiu Man (both being directors of the Company) respectively, hence Mr. Zhao and Yangzhou Sunfonda are connected persons of the Company. As a result, the MSP Framework Agreement and the Transaction contemplated thereunder constitute continuing connected transactions of the Company in accordance with Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the proposed annual caps of the Transaction for the three years ending 31 December 2019 are less than 5% but at least one of the applicable percentage ratios exceeds 0.1%, the Transaction is subject to the reporting, annual review and announcement requirements, but are exempt from independent Shareholders' approval requirements.

## **CONFIRMATION OF THE BOARD**

The Directors (including the independent non-executive Directors) have confirmed that the MSP Framework Agreement and the Transaction contemplated thereunder will be conducted in the ordinary and usual course of business of the Company. The terms and conditions of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Board has considered and approved the resolution in relation to the MSP Framework Agreement. As Mr. Wu Tak Lam and Ms. Chiu Man, the Directors of the Company, are deemed to have material interests by virtue of their associates' shareholding interests in Yangzhou Sunfonda, they have abstained from voting on the relevant resolution.

## **GENERAL INFORMATION**

### **The Company**

The Company is a limited liability company incorporated in the Cayman Islands and headquartered in Xi'an City of Shaanxi Province of the PRC. The Company is a luxury and ultra-luxury automobile dealership group in Northwestern China, which has been listed in the main board of The Stock Exchange of Hong Kong Limited on 15 May 2014.

### **Yangzhou Sunfonda**

Yangzhou Sunfonda is a company established in the PRC that principally engages in the sales and after-sales services of imported Volkswagen automobiles.

## DEFINITIONS

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

“%”	per cent
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company” or “we” or “our”	Sunfonda Group Holdings Limited (新豐泰集團控股有限公司), an exempted company incorporated under the laws of the Cayman Islands on 13 January 2011 with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MSP Framework Agreement”	the merchandise sale and purchase framework agreement entered into between the Company and Yangzhou Sunfonda on 30 June 2017
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company

“Transaction”	the Group may purchase merchandise, primarily including commercial automobiles and related spare parts, from Yangzhou Sunfonda from time to time pursuant to the MSP Framework Agreement
“Yangzhou Sunfonda”	Yangzhou Sunfonda Automobile Co., Ltd. (揚州新豐泰汽車有限責任公司), a company incorporated in the PRC on 22 June 2011 with limited liability, and a connected person of the Company
“Shaanxi Sunfonda”	Shaanxi Sunfonda Automobile Technology Development Co., Ltd. (陝西新豐泰汽車技術開發有限責任公司), a company incorporated in the PRC with limited liability, and a subsidiary of the Company

By order of the Board  
**Sunfonda Group Holdings Limited**  
**Mr. Wu Tak Lam**  
*Chairman*

30 June 2017

*As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Wu Tak Lam, Ms. Chiu Man, Mr. Jia Ruobing and Mr. Gou Xinfeng; and three independent non-executive directors, namely, Mr. Liu Jie, Mr. Song Tao and Dr. Liu Xiaofeng.*