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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 PROPERTY LEASING FRAMEWORK AGREEMENTS

BAOXIN PROPERTY LEASING FRAMEWORK AGREEMENT

The Board is pleased to announce that on 30 April 2019 (after trading hours), the Company and CGA entered into the Baoxin Property Leasing Framework Agreement, pursuant to which the Group shall lease certain Baoxin Properties to the CGA Group.

CGA PROPERTY LEASING FRAMEWORK AGREEMENT

The Board is pleased to announce that on 30 April 2019 (after trading hours), the Company and CGA entered into the CGA Property Leasing Framework Agreement, pursuant to which the CGA Group shall lease certain CGA Properties to the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGA, through its indirect wholly-owned subsidiary China Grand Auto, holds approximately 67.71% of the shares in the Company, and it is therefore a controlling shareholder and connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Baoxin Property Leasing Framework Agreement and CGA Property Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for each of the Baoxin Property Leasing Framework Agreement and CGA Property Leasing Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under each of the Baoxin Property Leasing Framework Agreement and CGA Property Leasing Framework Agreement are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BAOXIN PROPERTY LEASING FRAMEWORK AGREEMENT

The key terms of the Baoxin Property Leasing Framework Agreement are summarised as follows:

Date

30 April 2019

Parties

- (1) the Company; and
- (2) CGA

Subject Matter

Pursuant to the Baoxin Property Leasing Agreement, the Group shall lease certain Baoxin Properties to the CGA Group for the establishment of affiliates or branches, the sale, repair and maintenance of motor vehicles and related services, and office use, amongst others.

In compliance with the terms of the Baoxin Property Leasing Framework Agreement, members of the Group may enter into separate implementation agreements with members of the CGA Group in relation to specific Baoxin Properties from time to time. Each implementation agreement will set out the specifications for the particular transactions and the Baoxin Properties to be leased.

Pricing and Payment Terms

The rent of the Baoxin Properties leased by the Group to CGA under the Baoxin Property Leasing Framework Agreement shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties. In general, the rent shall be determined based on the actual conditions of the properties with reference to the market prices and the comparable prices in similar areas. In particular, the rent shall not be lower than the amount of rent payable by an independent third party for similar properties. The payment and settlement terms shall be no less favourable to the Group than those of similar property leases offered by an independent third party.

The transactions contemplated under the Baoxin Property Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Group on normal commercial terms or better.

Payments for the transactions under the Baoxin Property Leasing Framework Agreement shall be settled in cash or by other means as agreed by the signing parties of the implementation agreements and shall be settled monthly.

Term and Termination

The term of the Baoxin Property Leasing Framework Agreement shall be from 1 January 2019 to 31 December 2021. The term of each individual implementation agreement shall not exceed three years and in any event shall not exceed 31 December 2021.

Pursuant to the Baoxin Property Leasing Framework Agreement, an implementation agreement may be terminated by the lessor if any of the following situations occurs: (1) in occupying the Baoxin Property, the lessee contravenes any applicable laws and regulations, or creates serious safety hazards on the Baoxin Property; (2) the usage of the Baoxin Property by the lessee is not in line with the permitted usage as set out in the relevant implementation agreement; (3) the lessee assigns or subleases the Baoxin Property, or pledges the Baoxin Property, or the facilities and appliances thereon, to third parties without the consent of the lessor; and (4) the lessee renovates, expands or refurbishes the Baoxin Property without the written consent of the lessor.

Proposed Annual caps

Set out below is a summary of the proposed annual caps for the rent and related fees payable by the CGA Group to the Group under the Baoxin Property Leasing Framework Agreement for each of the financial years ending 31 December 2019, 2020 and 2021.

| | Total |
|------|------------------|
| | <i>Unit: RMB</i> |
| 2019 | 7,000,000 |
| 2020 | 8,000,000 |
| 2021 | 9,000,000 |

The proposed annual caps were determined by the Company after taking into account, amongst others, (i) the estimated demand for leased properties of the parties and the expected increase in such demand; (ii) the prevailing market rent charged for similar properties in the area; (iii) the estimated fluctuations in the prevailing market rate in the next three years; and (iv) the buffer for possible rent adjustments.

CGA PROPERTY LEASING FRAMEWORK AGREEMENT

The key terms of the CGA Property Leasing Framework Agreement are summarised as follows:

Date

30 April 2019

Parties

- (1) CGA; and
- (2) the Company

Subject Matter

Pursuant to the CGA Property Leasing Agreement, the CGA Group shall lease certain CGA Properties to the Group for the establishment of affiliates or branches, the sale, repair and maintenance of motor vehicles and related services, and office use, amongst others.

In compliance with the terms of the CGA Property Leasing Framework Agreement, members of the CGA Group may enter into separate implementation agreements with members of the Group in relation to specific CGA Properties from time to time. Each implementation agreement will set out the specifications for the particular transactions and the CGA Properties to be leased.

Pricing and Payment Terms

The rent of the CGA Properties leased by the CGA Group to the Group under the CGA Property Leasing Framework Agreement shall be determined principally by arm's length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties. In general, the rent shall be determined based on the actual conditions of the properties with reference to the market prices and the comparable prices in similar areas. In particular, the rent shall not be higher than the amount of rent payable by an independent third party for similar properties. The payment and settlement terms shall be more favourable to the Group than those of similar property leases offered to an independent third party.

The transactions contemplated under the CGA Property Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Group on normal commercial terms or better.

Payments for the transactions under the CGA Property Leasing Framework Agreement shall be settled in cash or by other means as agreed by the signing parties of the implementation agreements and shall be settled monthly.

Term and Termination

The term of the CGA Property Leasing Framework Agreement shall be from 1 January 2019 to 31 December 2021. The term of each individual implementation agreement shall not exceed three years and in any event shall not exceed 31 December 2021.

Pursuant to the CGA Property Leasing Framework Agreement, an implementation agreement may be terminated by the lessor if any of the following situations occurs: (1) in occupying the CGA Property, the lessee contravenes any applicable laws and regulations, or creates serious safety hazards on the CGA Property; (2) the usage of the CGA Property by the lessee is not in line with the permitted usage as set out in the relevant implementation agreement; (3) the lessee assigns or subleases the CGA Property, or pledges the CGA Property, or the facilities and appliances thereon, to third parties without the consent of the lessor; and (4) the lessee renovates, expands or refurbishes the CGA Property without the written consent of the lessor.

Proposed annual caps

Set out below is a summary of the annual caps for the rent and related fees payable by the Group to the CGA Group under the CGA Property Leasing Framework Agreement for each of the financial years ending 31 December 2019, 2020 and 2021:

| | Total |
|------|------------------|
| | <i>Unit: RMB</i> |
| 2019 | 7,000,000 |
| 2020 | 8,000,000 |
| 2021 | 9,000,000 |

The proposed annual caps were determined by the Company after taking into account, amongst others, (i) the estimated demand for leased properties of the parties and the expected increases in such demand; (ii) the prevailing market rent charged for similar properties in the area; (iii) the estimated fluctuations in the prevailing market rate in the next three years; and (iv) the buffer for possible rent adjustments.

Internal Control Measures

The Group has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Group:

1. the relevant personnel of the Group will closely monitor the transactions of the Group under the Property Leasing Framework Agreements, to ensure that the transaction amounts do not exceed the proposed annual caps under each of the Property Leasing Framework Agreements;
2. the entry into of each implementation agreement shall be subject to the approval of the relevant departments of the Company to ensure that each of the property leases are in line with the pricing policy and the principal terms of the relevant Property Leasing Framework Agreement;
3. the auditors of the Company shall conduct annual reviews on the pricing and proposed annual caps of the continuing connected transactions to ensure that the transaction amounts are within the proposed annual caps and that the transactions in all material aspects are conducted in accordance with the terms of the relevant implementation agreement; and

4. the independent non-executive Directors of the Company shall conduct annual reviews on the continuing connected transactions under the Property Leasing Framework Agreements to ensure that such transactions are conducted on normal commercial terms and are in the ordinary and usual course of business of the Group, and the terms and conditions thereof are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASING FRAMEWORK AGREEMENTS

By entering into the Property Leasing Agreements, the Group can make better use of its properties and be able to obtain a stable rental income. At the same time, by sharing resources with the CGA Group, the Group can obtain better quality and more cost-effective properties for its business operation, which can improve the Group's operating efficiency and contribute to the long-term development of the Group.

INFORMATION ON THE GROUP

The Group is a leading luxury 4S dealership group in the PRC and is principally engaged in the sale and service of motor vehicles.

INFORMATION ON THE CGA GROUP

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 the provision of after-sales services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGA, through its indirect wholly-owned subsidiary China Grand Auto, holds approximately 67.71% of the shares in the Company, and it is therefore a controlling shareholder and connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the he Baoxin Property Leasing Framework Agreement and CGA Property Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for each of the Baoxin Property Leasing Framework Agreement and CGA Property Leasing Framework Agreement are more than 0.1% but less than 5%, the transactions under each of the Baoxin Property Leasing Framework Agreement and CGA Property Leasing Framework Agreement are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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) and Ms. Xu Xing (the secretary of the board and assistant to the president of CGA) all serve at CGA, and they have abstained from voting on the Board's resolution for approving the Property Leasing Framework Agreements. Save as disclosed above, there are no other Directors who have any material interest in the Property Leasing Framework Agreements and no other Directors need to abstain from voting on the Board resolutions for considering and approving the Property Leasing Framework Agreements.

The Directors (including all independent non-executive Directors) are of the view that (i) the terms of the Property Leasing Framework Agreements (including the proposed annual caps) are on normal commercial terms and in the ordinary and usual course of the Group's business, and (ii) the terms of the Property Leasing Framework Agreements (including the proposed annual caps) are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

| | |
|---|---|
| “Baoxin Property Leasing Framework Agreement” | the property leasing framework agreement dated 30 April 2019 between the Company and CGA, pursuant to which the Group shall lease certain Baoxin Properties to the CGA Group |
| “Baoxin Property(ies)” | the property(ies) and/or land owned by the Group |
| “Board” | the board of directors of the Company |
| “CGA” | China Grand Automotive Services, Co., Ltd (廣匯汽車服務股份有限公司), a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297) |

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| “CGA Group” | CGA and its subsidiaries |
| “CGA Property Leasing Framework Agreement” | the property leasing framework agreement dated 30 April 2019 between CGA and the Company, pursuant to which the CGA Group shall lease certain CGA Properties to the Group |
| “CGA Property(ies)” | the property(ies) and/or land owned by the CGA Group |
| “China Grand Auto” | China Grand Automotive Services (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and 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), 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 |
| “Director” | a director of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “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, Macau Special Administrative Region of the PRC and Taiwan |
| “Property Leasing Framework Agreements” | the Baoxin Property Leasing Framework Agreement and the CGA Property Leasing Framework Agreement |

| | |
|--------------|--|
| “RMB” | Renminbi, the lawful currency of the PRC |
| “subsidiary” | has the meaning ascribed thereto under the Listing Rules |
| “%” | per cent |

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

The PRC, 30 April 2019

As at the date of this announcement, the Company’s executive directors are Mr. LI Jianping, Mr. WANG Xinming, Mr. QI Junjie, 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.