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China Yongda Automobiles Services Holdings Limited

(中國永達汽車服務控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03669)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARES OF INCHCAPE ASIA PACIFIC LIMITED

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that, on 2 October 2019 (before trading hours), the Company entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Company has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire issued shares of Inchcape Asia Pacific Limited (defined as the Target Company below) at a consideration of RMB830.0 million, which is subject to adjustments both at and post Completion.

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's consolidated financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition (based on the consideration of RMB830.0 million) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules, but is exempt from the shareholders' approval requirement.

The aggregate amount of the adjustments to the consideration will only be finalised after Completion. In any event, the applicable percentage ratios (as defined under the Listing Rules) in respect of the aggregate consideration payable by the Company in relation to the Acquisition are not expected to exceed 25%. The Company will make further announcements, if and when necessary in compliance with the Listing Rules, to disclose subsequent developments relating to the Acquisition (including any adjustments made to the consideration).

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent under the Sale and Purchase Agreement which may or may not be fulfilled. The Acquisition may or may not proceed in certain circumstances. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

On 2 October 2019 (before trading hours), the Company entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Company has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire issued shares of the Target Company at a consideration of RMB830.0 million, which is subject to adjustments both at and post Completion.

THE SALE AND PURCHASE AGREEMENT

Date: 2 October 2019

Purchaser: the Company

Seller: Inchcape Overseas Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and the ultimate beneficial owners of the Seller are third parties independent of the Company and connected persons of the Company.

Asset to be acquired

Pursuant to the Sale and Purchase Agreement, the Seller has conditionally offered to sell and the Company has conditionally agreed to acquire the entire issued shares of the Target Company.

Consideration

The consideration to be paid by the Company to the Seller for the Acquisition is RMB830.0 million plus the Estimated Net Assets Adjustment (the “**Initial Consideration**”), which is subject to further post-Completion adjustments as discussed below.

On the date of the Sale and Purchase Agreement, the Company shall pay a deposit equal to RMB60.0 million (the “**Deposit Amount**”) in GBP to the bank account designated by the Seller. At Completion, the Deposit Amount shall automatically be converted to be part of the consideration of the Acquisition.

Post-Completion Adjustments

After Completion, the Seller and the Company will determine the amount of the net assets of the Target Group as of Completion pursuant to the terms of the Sale and Purchase Agreement (the “**Completion Net Assets**”). If the amount of the Completion Net Assets is different from the Estimated Net Assets, the Initial Consideration is subject to further post-Completion adjustments as follows:

- (i) if the Completion Net Assets are larger than the Estimated Net Assets, the Company shall pay to the Seller a sum equal to the difference no later than five Business Days after the determination of such difference; and
- (ii) if the Completion Net Assets are smaller than the Estimated Net Assets, the Company shall be entitled but not obligated to deduct and release a sum equal to the difference from the Escrow Account as discussed below.

Escrow Account

As soon as reasonably practicable after the date of the Sale and Purchase Agreement and in any event not less than 10 Business Days prior to Completion, the Seller and the Company shall execute an escrow agreement and open an escrow account in the name of the Company (the “**Escrow Account**”). At Completion, the Company shall deposit in GBP an amount equal to RMB80.0 million (the “**Escrow Amount**”) into the Escrow Account, and pay to the bank account designated by the Seller an amount equal to the Initial Consideration, less the sum of the Deposit Amount and the Escrow Amount. The funds in the Escrow Account shall be released from the Escrow Account to the Seller in stages on or before the 365th day from and excluding the Completion Date, subject to (i) any deductions due to the Company in respect of the further post-Completion adjustments to the Initial Consideration referred to above and (ii) retaining a sum equal to the amount of any outstanding Claim, to be released to the Seller or the Company (as appropriate) after that Claim is settled, pursuant to the terms of the Sale and Purchase Agreement. Any interest which accrues on the Escrow Amount while in the Escrow Account shall be prorated

in accordance with the final allocation of the Escrow Amount as paid to each of the Seller and/or the Company in accordance with the terms of the Sale and Purchase Agreement and shall be paid to the Seller and/or the Company (as the case may be) at the same time as payment of the corresponding principal of the Escrow Amount.

The consideration will be financed by the internal resources of the Group.

Basis of consideration

The consideration of the Acquisition was determined after arm's length negotiations between the Company and the Seller on normal commercial terms based on the principles of equality and voluntariness with reference to the net assets, profitability and business prospect of the Target Group as well as market conditions. In particular, the Directors determined the consideration after taking into account the following factors:

- (i) the adjusted net assets of approximately RMB590.9 million of the Target Group as at 30 April 2019, based on the unaudited management accounts of the Target Group after making certain downward adjustments; and
- (ii) an acquisition premium of approximately RMB239.1 million, which was determined after assessing the price to earnings (P/E) ratio and evaluating the profitability and business prospect of the Target Group and the strategic significance of the Acquisition. In particular, the Directors considered the following factors when determining the amount of the acquisition premium:
 - (a) the Acquisition can enable the Company to further expand its Porsche, Mercedes-Benz and Lexus 4S dealership networks and authorised Tesla repair network and to further diversify its portfolio of luxury and ultra-luxury automobile brands. The sales of Porsche, Mercedes-Benz and Lexus vehicles in the PRC are undergoing rapid and healthy growth with satisfactory levels of profitability, and the Acquisition can enable the Company to capture this favourable market trend;
 - (b) the Target Group opened up the first Porsche, Mercedes-Benz and Lexus 4S stores in the respective local markets, and has built solid client bases and gained first-mover advantage in these local markets. To date, the Target Group operates the only Mercedes-Benz 4S dealership in Jiujiang City, Jiangxi Province and the only Lexus 4S dealership in Shaoxing City, Zhejiang Province. The Acquisition will gain the Company immediate access to these local markets and further strengthen and expand its 4S outlets and network coverage and enhance its strategic partnership with these brand manufactures in the future;

- (c) the P/E ratio of the Target Group based on the net profit after tax of the Target Group for the year ended 31 December 2018 is in line with the average P/E ratios of comparable companies operating 4S stores of the same brands in the PRC. The Directors are confident about the future profitability of the Target Group after reviewing the historical financial and operating data of passenger vehicle sales and after-sales services of the Target Group, studying the local economic conditions and the market for passenger vehicle sales and after-sales services in the regions, as well as the growth potential for the relevant brands leveraging on the ongoing analysis and communication with the relevant brand manufacturers on their sales, research and development capability for launching new models and the relevant strategies; and
- (d) the assets of the Target Group comprises land use rights in relation to two parcels of land on which two of its 4S stores are located as well as significant amount of cash and cash equivalents, with relatively limited indebtedness considering the size of the operations of the Target Group. The Company believes it will be able to enhance the profitability of the Target Group by optimizing its leverage level.

Accordingly, the Directors consider that the consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Deed of Guarantee and Indemnity

Concurrently with the execution and delivery of the Sale and Purchase Agreement, Inchcape has executed and delivered to the Company a deed of guarantee and indemnity, pursuant to which Inchcape guarantees to the Company the due and punctual performance and discharge by the Seller of its obligations and liabilities to the Company under the Sale and Purchase Agreement, subject to a cap as set out in such deed of guarantee and indemnity.

Conditions precedent

The Completion is conditional upon the satisfaction or waiver (if applicable) of the following conditions precedent on or before the Longstop Date in accordance with the terms of the Sale and Purchase Agreement:

- (i) the Company having paid the Deposit Amount to the Seller in accordance with the terms of the Sale and Purchase Agreement;
- (ii) merger control filing and notification in respect of the Acquisition having been made to the PRC Merger Control Authority and all unconditional approvals, consents or clearances or conditional approvals, consents or clearances accepted in accordance with the terms of the

Sale and Purchase Agreement necessary for completion of the Acquisition having been obtained from the PRC Merger Control Authority (whether by lapse of time or express confirmation of the PRC Merger Control Authority);

- (iii) each of the relevant brand manufacturers having given its approval of or consent or not having expressly raised any objection to the Acquisition;
- (iv) (a) the fundamental warranty contained in the Sale and Purchase Agreement being true and correct in all respects as at the date of the Sale and Purchase Agreement and as at Completion, and (b) each of the seller warranties (other than the fundamental warranty) contained in the Sale and Purchase Agreement being true and correct in all material respects as at the date of the Sale and Purchase Agreement and as at Completion other than those already qualified by materiality in the Sale and Purchase Agreement, and in each case of (a) and (b), except for any such seller warranty that is made as of a specified date, which shall be so true and correct as of the applicable date; and
- (v) no material adverse effect having occurred.

The Seller may, by written notice to the Company, waive condition precedent set out in (i) above in whole or in part and conditionally or unconditionally at any time on or before the Longstop Date. The conditions precedent set out in (iii) to (v) above may only be waived in writing by the Company in whole or in part and conditionally or unconditionally at any time on or before the Longstop Date.

Termination

The Sale and Purchase Agreement shall terminate, before Completion:

- (i) by mutual agreement of the Seller and the Company;
- (ii) if one or more of the conditions precedent set out above remains unsatisfied on the Longstop Date and has not been waived (if capable of waiver) in accordance with the terms of the Sale and Purchase Agreement on or before the Longstop Date, unless otherwise agreed by the Seller and the Company; or
- (iii) if Completion does not take place on the Completion Date because either the Seller or the Company fails to comply with certain of its obligations under the Sale and Purchase Agreement, the other party may by notice terminate the Sale and Purchase Agreement.

Upon termination of the Sale and Purchase Agreement:

- (i) if Completion does not occur and termination is due to the default on the part of the Company solely in the performance of certain of its obligations in relation to the merger control filing, notification and clearance in respect of the Acquisition with the PRC Merger Control Authority under the Sale and Purchase Agreement, the Company shall be liable to pay an amount equal to the Deposit Amount (the “**Termination Fees**”) to the Seller as liquidated damages. For this purpose, the Seller shall be entitled to forfeit the Deposit Amount paid by the Company;
- (ii) if Completion does not occur and termination is due to any ground other than those specified in (i) above, unless otherwise agreed by the Seller and the Company, any Deposit Amount that has been paid to the Seller (plus the accrued interest thereon) shall be returned to the Company; and
- (iii) if Completion does not occur and termination is due to the default on the part of the Seller solely in the performance of certain of its obligations under the Sale and Purchase Agreement, the Seller shall be liable to pay an amount equal to the Termination Fees to the Company as liquidated damages.

Completion

Completion shall take place on the Completion Date. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company’s consolidated financial statements.

INFORMATION ABOUT THE SELLER AND THE TARGET COMPANY

The Seller is a limited liability company incorporated and existing under the laws of England and Wales. It is a direct wholly-owned subsidiary of Inchcape, which is a global distribution and retail leader for leading OEM partners in the automotive sector and whose shares are listed on the London Stock Exchange (LSE: INCH). The Seller is a holding company for the purpose of investing into foreign markets on behalf of Inchcape.

The Target Company is a limited liability company incorporated and existing under the laws of Hong Kong. The Target Company is the holding company of the Target Group. The Target Group operates a Porsche 4S dealership and an authorised Tesla repair centre, both in Nanchang City, Jiangxi Province, a Mercedes-Benz 4S dealership in Jiujiang City, Jiangxi Province and a Lexus 4S dealership in Shaoxing City, Zhejiang Province.

The table below sets forth the audited consolidated financial information of the Target Group for the two financial years ended 31 December 2018 based on the accounts of the Target Group prepared under HKFRS in respect of the Target Company and PRC GAAP in respect of the Target Company's subsidiaries established in the PRC:

	For the year ended 31 December 2018 Audited (RMB'000)	For the year ended 31 December 2017 Audited (RMB'000)
Revenue	1,473,462	1,321,980
Net profit before tax	78,062	58,547
Net profit after tax	62,897	45,419

As at 30 April 2019, based on the management accounts of the Target Group prepared under HKFRS in respect of the Target Company and PRC GAAP in respect of the Target Company's subsidiaries established in the PRC, the unaudited consolidated net assets of the Target Group was approximately RMB590.9 million, including cash and cash equivalent of approximately RMB367.3 million and after deducting borrowings from financial institutions of approximately RMB22.4 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is a leading passenger vehicle retailer and comprehensive service provider in the PRC focusing on luxury and ultra-luxury brands. The Company has dealership agreements to operate its 4S dealerships for a diversified portfolio of luxury and ultra-luxury automobile brands including BMW/MINI, Audi, Porsche, Jaguar/Land Rover, Bentley, Aston Martin, Volvo, Cadillac, Lincoln, Infiniti, Mercedes-Benz and Lexus and mid- to high-end automobile brands, mainly including Buick, Volkswagen and Ford.

The Company continued to explore investment opportunities so as to increase the return for the Shareholders of the Company. The Directors strongly believe that the Acquisition will help strengthen and expand the 4S outlets and network coverage of the Company and further improve the ability to provide customers with comprehensive automobile related services, such as vehicle sales, after-sales services, automobile finance and pre-owned vehicles through its "one-stop shop" approach.

The Directors are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition (based on the consideration of RMB830.0 million) are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules, but is exempt from the shareholders' approval requirement.

The aggregate amount of the adjustments to the consideration will only be finalised after Completion. In any event, the applicable percentage ratios (as defined under the Listing Rules) in respect of the aggregate consideration payable by the Company in relation to the Acquisition are not expected to exceed 25%. The Company will make further announcements, if and when necessary in compliance with the Listing Rules, to disclose subsequent developments relating to the Acquisition (including any adjustments made to the consideration).

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent under the Sale and Purchase Agreement which may or may not be fulfilled. The Acquisition may or may not proceed in certain circumstances. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued shares of the Target Company pursuant to the terms of the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“Business Day(s)”	any day on which banks are generally open for business in each of the PRC, Hong Kong and the United Kingdom (excluding Saturdays, Sundays and statutory holidays of the PRC, Hong Kong or the United Kingdom)

“Claim”	means a claim against the Seller (i) whether in contract or otherwise in respect of any of the general warranties contained in the Sale and Purchase Agreement and any other claim by the Company under the provisions of the Sale and Purchase Agreement or in connection with the subject matter of the Sale and Purchase Agreement, (ii) in contract or otherwise in respect of the tax warranties contained in the Sale and Purchase Agreement or (iii) in contract or otherwise in respect of a fundamental warranty contained in the Sale and Purchase Agreement
“Company”	China Yongda Automobiles Services Holdings Limited, an exempted company incorporated on 7 November 2011 in the Cayman Islands with limited liability, with its Shares listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	either the eighth Business Day following satisfaction, or (if capable of waiver) waiver, of all the conditions precedent or such other date as the Seller and the Company shall agree in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Estimated Net Assets”	the amount of the net assets of the Target Group at Completion to be estimated and calculated by the Seller in accordance with the terms of the Sale and Purchase Agreement
“Estimated Net Assets Adjustment”	the amount of the Estimated Net Assets minus approximately RMB590.9 million (being the adjusted net assets of the Target Group as at 30 April 2019), which amount can be positive or negative
“GBP”	British pound sterling, the lawful currency of the United Kingdom
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Inchcape”	Inchcape Plc, a company incorporated and existing under the laws of England and Wales that owns the entire issued shares of the Seller as at the date of this announcement, with its shares listed on the London Stock Exchange (LSE: INCH)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Longstop Date”	(i) the date which is three months after the date on which the PRC Merger Control Authority formally accepts the Merger Control Application, which shall be automatically extended by one month if the PRC Merger Control Authority has not completed the review of the Merger Control Application by the end of the said three-month period; provided however, that if the PRC Merger Control Authority raises any written enquiry in relation to the Company and/or the Acquisition because the Acquisition is not qualified for a simplified review procedure or because of other substantive reasons, resulting in a delay in the merger control clearance of the Acquisition beyond the four-month period stated above, the Longstop Date shall be further extended by a period of up to two months from the end of the four-month period stated above; or (ii) such other date as the Seller and the Company may agree in writing
“Merger Control Application”	the application of the merger notification in relation to the Acquisition to the PRC Merger Control Authority
“PRC”	the People’s Republic of China
“PRC Merger Control Authority”	the Anti-monopoly Bureau of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 2 October 2019 entered into between the Company and the Seller in respect of the Acquisition
“Seller”	Inchcape Overseas Limited, a company incorporated and existing under the laws of England and Wales, a direct wholly-owned subsidiary of Inchcape, and is the legal and beneficial owner of the entire issued shares of the Target Company as at the date of this announcement

“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Inchcape Asia Pacific Limited, a company incorporated and existing under the laws of Hong Kong which, as at the date of this announcement, has 776,167,720 ordinary shares in issue
“Target Group”	the Target Company and its subsidiaries

By order of the Board
China Yongda Automobiles Services Holdings Limited
Cheung Tak On
Chairman

The PRC, 2 October 2019

As at the date of this announcement, the Board comprises (i) five executive directors, namely Mr. Cheung Tak On, Mr. Cai Yingjie, Mr. Wang Zhigao, Mr. Xu Yue and Ms. Chen Yi; (ii) one non-executive director, namely Mr. Wang Liqun; and (iii) three independent non-executive directors, namely Mr. Lyu Wei, Mr. Mu Binrui and Ms. Zhu Anna Dezhen.