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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 THE RENEWED PROCUREMENT FRAMEWORK AGREEMENT

THE RENEWED PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 May 2021 relating to, inter alia, the Existing Procurement Framework Agreement 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 during the period from 28 May 2021 to 31 December 2023. The Existing Procurement Framework Agreement will expire after 31 December 2023.

The Board is hereby pleased to announce that on 18 December 2023 (after trading hours), the Company and CGA entered into the Renewed Procurement Framework Agreement to renew the existing procurement arrangements, 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 for a further term from 1 January 2024 to 31 December 2026.

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 therefore it is a controlling shareholder and a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Renewed Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps of the transactions contemplated under the Renewed Procurement Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder 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.

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The Renewed Procurement Framework Agreement

The principal terms of the Renewed Procurement Framework Agreement are summarised as follows:

Date

18 December 2023

Parties

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

Term

1 January 2024 to 31 December 2026

Subject Matter

The Renewed 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 Renewed 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 Renewed Procurement Framework Agreement.

Pricing Policy

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 obtain the prevailing market prices of the products through various channels, including, among others, (a) comparable transactions namely, with similar types of products, quantity and specifications, with at least one independent third party in respect of the purchase of Passenger Vehicles and at least three independent third parties in respect of the purchase of vehicles parts and accessories during the same period; (b) maintaining contacts with at least one established supplier of Passenger Vehicles which is independent third party and at least three established suppliers of vehicles parts and accessories 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.

In any event, the prices of the purchase of products by the Group from the CGA Group or the prices of the sale of products by the Group to the CGA Group shall be no less favourable to the Group than those available to it or from independent third parties under prevailing market conditions.

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 Renewed Procurement Framework Agreement.

Historical Transaction Amounts

Set out below is the aggregate historical amounts paid/payable by the Group in respect of its purchase from CGA Group and the aggregate historical amounts received/receivable by the Group in respect of its sales to the CGA Group for the period from 28 May 2021 to 30 November 2023 as well as the previous annual caps under the Existing Procurement Framework Agreement for the period from 28 May 2021 to 31 December 2023:

	Period from 28 May 2021 to 31 December 2021		Year ended 31 December 2022		Eleven months ended 30 November 2023	Year ending 31 December 2023
	Actual amounts (RMB' million) (Audited)	Historical Cap	Actual amounts (RMB' million) (Audited)	Historical Cap	Actual amounts (RMB' million) (Unaudited)	Historical Cap
Amounts paid/payable by the Group to the CGA Group	7.6	50.0	51.6	60.0	60.0	70.0
Amounts received/receivable by the Group from the CGA Group	9.9	20.0	9.6	20.0	15.5	20.0

In 2021 and 2022, as affected by the recurring pandemic and due to the gradual adjustment of the management structure of the Group, the Group has concurrently implemented the management by automobile brands to coordinate with the existing management by regions based on different automobile brands distributed. Therefore, the Group's demand for vehicles and procurement strategies with CGA Group will be diversified in different regions, by different brands, and in different timeframe.

Proposed Annual Caps

The Proposed Purchase Annual Caps for the aggregate amount to be paid by the Group and the Proposed Sales Annual Caps for the aggregated amount to be paid by the CGA Group, respectively, under the Renewed Procurement Framework Agreement for each of the financial years ending 31 December 2024, 2025 and 2026 are set out below:

	For the year ending 31 December		
	2024	2025	2026
	<i>(RMB' million)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>
Proposed Purchase Annual Caps	24	24	24
Proposed Sales Annual Caps	24	24	24

The Proposed Purchase Annual Caps and the Proposed Sales Annual Caps were determined after taking into account, among others, the historical transaction amounts, the operation needs of the Group, which is based on the current strategic needs of regionalized management and brand management of the Group and the demand of the Passenger Vehicles, passenger vehicles parts and accessories from the CGA Group.

The Group will satisfy all the fees payable to the CGA Group with internal resources.

REASONS FOR AND BENEFITS OF ENTERING INTO THE RENEWED 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 Renewed Procurement Framework Agreement is that the Group is mainly the dealer of luxury passenger vehicle brands (e.g. BMW, Jaguar & Land Rover and Maserati, etc.) and its business is mainly focused in the Eastern part of the PRC, Sichuan, Guangdong and neighboring provinces and cities. On the other hand, the brands of Passenger Vehicles operated by GCA are different from those operated by the Group, and its sales network covers the whole country, while the coverage density is different from the regions operated by the Group. Therefore, the Company and CGA target different brands, different geographical location with different clientele.

The entry of the Renewed 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 all independent non-executive Directors) are of the view that (i) the terms of the Renewed Procurement Framework Agreement (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 Renewed Procurement Framework Agreement (including the proposed annual caps) are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

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 Renewed Procurement Framework Agreement, to ensure that the transaction amounts do not exceed the proposed annual caps under each of the Renewed Procurement Framework Agreement;
2. the entry into of individual definitive agreement shall be subject to the approval of the relevant departments of the Company to ensure that each of the procurement transaction is in line with the pricing policy and the principal terms of the Renewed Procurement 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 individual definitive agreement; and
4. the independent non-executive Directors of the Company shall conduct annual reviews on the continuing connected transactions under the Renewed Procurement Framework Agreement 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 its Shareholders as a whole.

By implementing the above measures, the Directors (including the independent non-executive Directors) of the Company consider that the Group has appropriate internal control procedures to ensure that the transactions under the Renewed Procurement Framework Agreement will be conducted on normal commercial terms and in the interests of the Group and its Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is a leading dealership group of luxury brands automobiles in the PRC and is principally engaged in the automobile sales and after-sales services business. The Group's business mainly concentrates in the eastern part of the PRC, which acts as the axis for expanding into the southern, central and northern parts of the PRC and also the northeast and northwest regions, thus, covering the majority of the mainstream market for luxury and ultra-luxury automobiles in the PRC as of now.

INFORMATION ON THE CGA GROUP

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).

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As one or more of the applicable percentage ratios (other than the profits ratio) of the proposed annual caps of the transactions contemplated under the Renewed Procurement Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder 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.

As each of Mr. Ma Fujiang, Mr. Bao Xiangyi, Mr. Ding Yu and Ms. Xu Xing is a director of CGA, they have abstained from voting on the Board's resolutions for approving the Renewed Procurement Framework Agreement. Save as disclosed above, there are no other Directors who have any material interest in the Renewed Procurement Framework Agreement and no other Directors need to abstain from voting on the Board resolutions for considering and approving the Renewed Procurement Framework Agreement.

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 Group Company Limited (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
“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 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(s)”	the director(s) of the Company
“Existing Procurement Framework Agreement”	the existing procurement framework agreement dated 28 May 2021 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
“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)
“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
“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
“Renewed Procurement Framework Agreement”	the new procurement framework agreement dated 18 December 2023 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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“%”	per cent.

By order of the Board
Grand Baoxin Auto Group Limited
MA Fujiang
Chairman

Shanghai, the PRC, 18 December 2023

As at the date of this announcement, the Company’s executive directors are Mr. MA Fujiang, Mr. BAO Xiangyi, Mr. DING Yu and Ms. XU Xing; and the independent non-executive directors are Ms. LIU Wenji, Ms. LIU Yangfang and Mr. HO Hung Tim Chester.