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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)

MAJOR TRANSACTION DISPOSAL OF THE TARGET COMPANY

THE DISPOSAL

The Board announces that on 12 August 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), entered into the Equity Transfer Agreement with the Purchaser (an independent third party), pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell all the equity interests in the Target Company for a total consideration of RMB133.0 million. As at the date of this announcement, the Target Company owns the Target Property which is located at Xiaoshan District, Hangzhou City, Zhejiang Province.

Upon Completion, the Group will cease to have any interests in the Target Company and the Target Property. As such, the financial results of Target Company and the Target Property will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder; and (b) the written

approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder.

The Company has obtained a written approval from China Grand Auto (Hong Kong), which is a wholly-owned subsidiary of CGA and a controlling shareholder of the Company interested in 1,945,334,071 shares of the Company (representing approximately 68.56% of the issued share capital of the Company) as at the date of this announcement. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Disposal.

The Company will despatch a circular containing, among other things, details of the Disposal in accordance with the requirements of the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 26 August 2024.

GENERAL

Completion is conditional upon fulfillment of the conditions precedent set out in the Equity Transfer Agreement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board announces that on 12 August 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), entered into the Equity Transfer Agreement with the Purchaser (an independent third party), pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell all the equity interests in the Target Company for a total consideration of RMB133.0 million.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date : 12 August 2024

- Parties** : (1) the Vendor (an indirect wholly-owned subsidiary of the Company); and
- (2) the Purchaser

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

- Assets to be disposed** : (1) the entire equity interests of the Target Company; and
- (2) the Target Property and the rights of use for the Land where the Target Property erected thereon

For details of the Target Company and the Target Property, please refer to the paragraph headed "Information on the Target Company and the Target Property" in this announcement.

- Consideration** : The total consideration payable by the Purchaser to the Vendor in respect of the Disposal shall be RMB133.0 million, which is to be paid as follows:
- (1) an initial deposit of RMB12.0 million to be paid within three business days from the Effective Date (as defined below) of the Equity Transfer Agreement (the "**1st Payment**"), among which RMB5.0 million shall be the earnest money to the Equity Transfer Agreement. The earnest money of RMB5.0 million is not refundable if the Equity Transfer Agreement is terminated by the Vendor due to the Purchaser failing to perform the payment obligation and the representations and warranties thereunder;
- (2) RMB118.0 million to be paid before 30 September 2024 (the "**2nd Payment**"). On the receipt of the 2nd Payment by the Vendor, the Vendor shall transfer, among others, the licences, qualifications, stamps, bank details, financial books and accounts and the property ownership certificate of the Target Company to Purchaser; and
- (3) RMB3.0 million to be paid on the date where the change in equity interests in the Target Company has been registered by the relevant administration(s) of industry and commerce in the PRC (the "**3rd Payment**").

- Conditions Precedent to the Disposal** : Completion of the Disposal is conditional upon
- (1) the Purchaser has paid to the Vendor the 1st Payment and the 2nd Payment; and
 - (2) the Purchaser has duly settled the existing liabilities of the Target Company in the amount of RMB177.0 million.

Completion Subject to satisfaction of all conditions set forth above, the Completion shall occur within five business days. Upon Completion:

- (1) the equity interests in the Target Company shall be duly transferred and registered by the relevant administration(s) of industry and commerce in the PRC;
- (2) the articles of association of the Target Company shall be updated and registered by the relevant administration(s) of industry and commerce in the PRC; and
- (3) the Purchaser has paid to the Vendor the 3rd Payment in accordance with the Equity Transfer Agreement.

Effective Date The Equity Transfer Agreement shall be effective on the date (“**Effective Date**”) when it is signed or sealed by the parties and all of the following conditions are fulfilled:

- (1) the general meeting of Vendor resolves to approve the Disposal; and
- (2) approval of the Disposal by regulatory authorities of China and Hong Kong Special Administrative Region.

Basis of determining the consideration under the Equity Transfer Agreement

The consideration under the Equity Transfer Agreement was determined based on negotiations between the Vendor and the Purchaser on arm’s length basis taking into account (i) the fair value of the entire equity interest of the Target Company as at 30 April 2024 of approximately RMB117.6 million according to the valuation report prepared by an independent property valuer on the asset-based approach (covering all assets and related liabilities of the Target Company) (the “**Valuation**”), among others, the valuation of Target Property and the right of use of the Land based on the income approach, summary of the Valuation will be disclosed in the circular to be despatched; and (ii) the prevailing market conditions.

The consideration represents (i) a premium of approximately 151.0% to the unaudited net asset value of the Target Company as at 31 December 2023 of approximately RMB53.0 million; and (ii) a premium of approximately 13.1% to the Valuation of the Target Company of approximately RMB117.6 million.

In arriving at its appraisal result, the independent valuer had, among others, assumed that:

- (1) all assets to be evaluated are already in the process of being transacted. The independent valuer will conduct the valuation based on the transaction conditions and models of the assets to be evaluated;
- (2) Open market assumption: (i) there is a willing buyer and a willing seller and the status of them are equal; (ii) both the buyer and the seller have sufficient market information, opportunities, and time, and the transaction is conducted voluntarily and rationally without any coercion or restrictions; (iii) the assets evaluated can be freely transferred in the open market; and (iv) there are no additional bids paid by special buyers;
- (3) the evaluated assets will continue to operate after the valuation benchmark date and that its business activities will not cease or terminate within the foreseeable future;
- (4) the value of any asset is directly related to the macroeconomic environment in which it is located. In this appraisal, the independent valuer assumes that the society's industrial policy, tax policy and macroeconomic environment remain relatively stable, so as to ensure that the appraisal results have a reasonable period of use; and
- (5) interest rates and exchange rates are maintained at current levels with no major changes.

The Board is of the view that the scope, methodologies and assumptions adopted by the independent valuer in respect of the equity interests in the Target Company are fair and reasonable.

INFORMATION ON THE TARGET COMPANY AND THE TARGET PROPERTY

The Target Company is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. As at the date of this announcement, the Target Company owns the Target Property and is engaged in leasing of the Target Property.

Upon Completion, the Group will cease to have any interests in the Target Company and the Target Property. As such, the financial results of Target Company and the Target Property will no longer be consolidated into the financial statements of the Group.

Set out below is the unaudited financial information of the Target Company for the two financial years ended 31 December 2023:

	For the financial year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	16,673	14,903
Net profit/(loss) before taxation	17,011	(15,432)
Net profit/(loss) after taxation	12,748	(11,575)

Based on the unaudited financial information of the Target Company, the total assets value and net assets value of the Target Company were approximately RMB268.3 million and RMB53.0 million respectively as at 31 December 2023.

The Target Property is located at No. 1728 Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province, comprising a commercial building of 15 storeys with a total gross floor area of 19,419.63 sq.m. The right of use of the Land where the Target Property erected thereon is for a term expiring on 23 April 2049. As at the date of this announcement, part of the offices in the Target Property was leased to independent third parties for commercial uses.

INFORMATION ON THE VENDOR

The Vendor is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Its principal business mainly includes new car sales, after-sales maintenance, auto beauty, retrofitting, used car sales, auto insurance, auto parts and related products sales business.

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 PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in the design, research and development, weaving and sales of seamless and sewn fashion apparel, as well as industrial park investments. As at the date of this announcement, the Purchaser is held by the natural person shareholders, Mr. Lu Jingui (呂精貴) and Ms. Wang Yun (王芸) who are independent third parties.

REASONS FOR DISPOSAL

Currently, the Group leases out some of the floors of the Target Property owned by the Target Company for rent collection, but the overall asset return rate is relatively low with a low occupancy rate. Through the disposal of the Target Property, the Group hopes to improve the efficiency of asset usage, reasonably allocate and manage corporate assets, and focus on developing core business to achieve economic benefits and sustainable development under the backdrop of the current complex external environment.

Having made prudent assessments on the above and considered the prevailing market conditions, the Directors are of the view that it would be beneficial for the Company and its stakeholders (including its Shareholders) as a whole to pursue the Disposal and generate liquidity for the Group.

The terms of the Equity Transfer Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT AND USE OF PROCEEDS

The net proceeds from the Disposal will be used to supplement working capital.

Upon completion of the Disposal, the Group will record a gain of approximately RMB80.0 million, being the difference between (i) the Consideration of approximately RMB133.0 million; (ii) the unaudited carrying value of the net assets of Target Company of approximately RMB53.0 million as at 31 December 2023. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to book value of the Target Company accounted for in the financial statements of the Group upon completion of the Disposal, and may therefore be different from the above amount.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 25% but are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder.

The Company has obtained a written approval from China Grand Auto (Hong Kong), which is a wholly-owned subsidiary of CGA and a controlling shareholder of the Company interested in 1,945,334,071 shares of the Company (representing approximately 68.56% of the issued share capital of the Company) as at the date of this announcement. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Disposal.

The Company will despatch a circular containing, among other things, details of the Disposal in accordance with the requirements of the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 26 August 2024.

The net carrying amount of the Target Property as at 31 December 2023 as recognised in the audited consolidated accounts of the Company for the year ended 31 December 2023 amounted to RMB227.3 million. As the net carrying amount of the Target Property is below 1% of the Group's total assets, the circular is not required to include a valuation report of the Target Company and/or the Target Property according to Rule 5.02A(5) of the Listing Rules.

Completion is conditional upon fulfillment of the conditions precedent set out in the Equity Transfer Agreement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

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)
“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)
“Completion”	the completion of the Disposal
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Disposal”	the proposed disposal of the entire equity interest in Target Company by Vendor to the Purchaser as contemplated under the Equity Transfer Agreement
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement dated 12 August 2024 entered into between the Purchaser and the Vendor
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	any person(s) or company(ies) or their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the Listing Rules
“Land”	a land with permitted use area of 5,176 sq.m. where the Target Property erected thereon
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“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

“Purchaser”	浙江國田服飾有限公司 (Zhejiang Guotian Clothing Co., Ltd.*), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	杭州寶信置業有限公司 (Hangzhou Baoxin Enterprise Co., Ltd.*), a company established in the PRC with limited liability
“Target Property”	the property located at No. 1728 Shixin North Road, Xiaoshan District, Hangzhou City, Zhejiang Province with a total gross floor area of 19,419.63 sq.m.
“Vendor”	杭州寶信汽車銷售服務有限公司 (Hangzhou Baoxin Automobile Sales and Services Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

By Order of the Board
Grand Baoxin Auto Group Limited
Ma Fujiang
Chairman

The PRC, 12 August 2024

As at the date of this announcement, the Company’s executive Directors are Mr. MA Fujiang, Mr. WANG Sheng, 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.