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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 PROPERTY LEASING FRAMEWORK AGREEMENTS

THE RENEWED BAOXIN PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 3 November 2022 relating to, inter alia, the Previous Baoxin Property Leasing Framework Agreement entered into between the Company and CGA, pursuant to which the Group would lease certain Baoxin Properties to the CGA Group. The Previous Baoxin Property Leasing Framework Agreement will expire on 31 December 2024.

The Board is hereby pleased to announce that on 9 December 2024 (after trading hours), the Company and CGA entered into the Renewed Baoxin Property Leasing Framework Agreement to renew the previous leases arrangement, pursuant to which the Group shall lease certain Baoxin Properties to the CGA Group for a further term of three years from 1 January 2025 to 31 December 2027.

THE RENEWED CGA PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 3 November 2022 relating to, inter alia, the Previous CGA Property Leasing Framework Agreement entered into between the Company and CGA, pursuant to which the CGA Group would lease certain CGA Properties to the Group. The Previous CGA Property Leasing Framework Agreement will expire on 31 December 2024.

The Board is hereby pleased to announce that on 9 December 2024 (after trading hours), the Company and CGA entered into the Renewed CGA Property Leasing Framework Agreement to renew the previous leases arrangement, pursuant to which the CGA Group shall lease certain CGA Properties to the Group for a further term of three years from 1 January 2025 to 31 December 2027.

LISTING RULES IMPLICATIONS

As at the date of this this announcement, CGA, who is interested in the approximately 68.56% of the issued share capital of the Company, is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Baoxin Property Leasing Framework Agreement and the Renewed CGA Property Leasing 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 each of the Renewed Baoxin Property Leasing Framework Agreement and the Renewed CGA Property Leasing 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.

THE RENEWED BAOXIN PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 3 November 2022 relating to, inter alia, the Previous Baoxin Property Leasing Framework Agreement entered into between the Company and CGA, pursuant to which the Group would lease certain Baoxin Properties to the CGA Group. The Previous Baoxin Property Leasing Framework Agreement will expire on 31 December 2024.

The Board is hereby pleased to announce that on 9 December 2024 (after trading hours), the Company and CGA entered into the Renewed Baoxin Property Leasing Framework Agreement to renew the previous leases arrangement, pursuant to which the Group shall lease certain Baoxin Properties to the CGA Group for a further term of three years from 1 January 2025 to 31 December 2027.

The Renewed Baoxin Property Leasing Framework Agreement

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

Date

9 December 2024

Parties

- (1) the Company (as lessor); and
- (2) CGA (as lessee)

Subject Matter

Pursuant to the Renewed 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 Renewed 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 Policy

The rent of the Baoxin Properties leased by the Group to the CGA Group under the Renewed 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 with similar areas, specifications, size and nature. In particular, the rent payable by the CGA Group 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 Renewed 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 Renewed 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 Renewed Baoxin Property Leasing Framework Agreement shall be from 1 January 2025 to 31 December 2027. The term of each individual implementation agreement shall not exceed one year and in any event shall not exceed 31 December 2027.

Pursuant to the Renewed 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.

Historical Transaction Amounts

The annual caps under the Previous Baoxin Property Leasing Framework Agreement for each of the financial years ended/ending 31 December 2022, 2023 and 2024 are RMB10.0 million, 11.0 million and 12.0 million, respectively.

The historical figures of rent paid or payable by the CGA Group to the Group related to the lease of the Baoxin Properties for each of the financial years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 under the Previous Baoxin Property Leasing Framework Agreement are set out below:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Unaudited)
Rent amount	4,184	3,342	1,866

The low utilization rate of the annual caps under the Previous Baoxin Property Leasing Framework Agreement was mainly due to industry changes and business adjustments of the CGA Group, which led to fluctuations in property leasing prices and demand across different regions.

Proposed Annual Caps

The proposed annual caps payable by the CGA Group to the Group for each of the financial years ending 31 December 2025, 2026 and 2027 under the Renewed Baoxin Property Leasing Framework Agreement are set out below:

	For the year ending 31 December		
	2025	2026	2027
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Proposed annual caps	8,000	8,000	8,000

The proposed annual caps are determined by the Company after taking into account, amongst others, (i) the historical annual rent paid or payable by the CGA Group and the historical annual caps as disclosed above; (ii) the estimated demand for leased properties of the parties; (iii) the prevailing market rent charged for similar properties in the area; (iv) the estimated fluctuations in the prevailing market rate in the three years ending 31 December 2027; and (v) the buffer for possible rent adjustments.

THE RENEWED CGA PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 3 November 2022 relating to, inter alia, the Previous CGA Property Leasing Framework Agreement entered into between the Company and CGA, pursuant to which the CGA Group would lease certain CGA Properties to the Group. The Previous CGA Property Leasing Framework Agreement will expire on 31 December 2024.

The Board is hereby pleased to announce that on 9 December 2024 (after trading hours), the Company and CGA entered into the Renewed CGA Property Leasing Framework Agreement to renew the previous leases arrangement, pursuant to which the CGA Group shall lease certain CGA Properties to the Group for a further term of three years from 1 January 2025 to 31 December 2027.

The Renewed CGA Property Leasing Framework Agreement

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

Date

9 December 2024

Parties

- (1) CGA (as lessor); and
- (2) The Company (as lessee)

Subject Matter

Pursuant to the Renewed CGA Property Leasing Agreement, the 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 Renewed 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 Policy

The rent of the CGA Properties leased by the CGA Group to the Group under the Renewed 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, specifications, size and nature. In particular, the rent payable by the Group 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 Renewed 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 Renewed 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 Renewed CGA Property Leasing Framework Agreement shall be from 1 January 2025 to 31 December 2027. The term of each individual implementation agreement shall not exceed one year and in any event shall not exceed 31 December 2027.

Pursuant to the Renewed 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.

Historical Transaction Amounts

The annual caps under the Previous CGA Property Leasing Framework Agreement for each of the financial years ended 31 December 2022, 2023 and 2024 are RMB10.0 million, 11.0 million and 12.0 million, respectively.

The historical figures of rent paid or payable by the Group to the CGA Group related to the lease of the CGA Properties for each of the financial years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 under the Previous CGA Property Leasing Framework Agreement are set out below:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Unaudited)
Rent amount	6,961	9,886	4,509

Proposed Annual Caps

The proposed annual caps payable by the Group to the CGA Group for each of the financial years ending 31 December 2025, 2026 and 2027 under the Renewed CGA Property Leasing Framework Agreement are set out below:

	For the year ending 31 December		
	2025	2026	2027
	(RMB'000)	(RMB'000)	(RMB'000)
Proposed annual caps	12,000	12,000	12,000

The proposed annual caps are determined by the Company after taking into account, amongst others, (i) the historical annual rent paid or payable by the Group and the historical annual caps as disclosed above; (ii) the estimated demand for leased properties of the parties; (iii) the prevailing market rent charged for similar properties in the area; (iv) the estimated fluctuations in the prevailing market rate in the three years ending 31 December 2027; and (v) the buffer for possible rent adjustments.

Accounting Implication and Treatment of the Lease under the Renewed CGA Property Leasing Framework Agreement

The transactions contemplated under the Renewed CGA Property Leasing Framework Agreement are leases based on the definition under HKFRS 16 "Leases". The Company applies the short term lease exemption to the transactions which shall have lease terms of 12-months or less since commencement. The payments of rent are recognised as expenses in the consolidated statement of profit or loss of the Group.

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 Property Leasing Framework Agreements, to ensure that the transaction amounts do not exceed the proposed annual caps under each of the Renewed 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 Renewed Property Leasing Framework Agreements;

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 Renewed 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 its Shareholders as a whole.

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

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

By entering into the Renewed Property Leasing Framework 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 principally engaged in the sales and services of luxury automobiles. Its business mainly includes new car sales, after-sales maintenance, auto beauty, retrofitting, used car sales, auto insurance, auto parts and related-product sales business.

INFORMATION ON THE CGA GROUP

CGA is a company established under the laws of the PRC, and its shares are listed on the NEEQ (NEEQ Stock Code: 400245). 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 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).

LISTING RULES IMPLICATIONS

As at the date of this this announcement, CGA, who is interested in the approximately 68.56% of the issued share capital of the Company, is a controlling shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Renewed Baoxin Property Leasing Framework Agreement and the Renewed CGA Property Leasing 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 each of the Renewed Baoxin Property Leasing Framework Agreement and the Renewed CGA Property Leasing 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.

Each of Mr. Ma Fujiang, Mr. Wang Sheng and Mr. Ding Yu is a director of CGA, and has abstained from voting on the Board's resolutions for approving the Renewed Property Leasing Framework Agreements. Save as disclosed above, there are no other Directors who have any material interest in the Renewed Property Leasing Framework Agreements and no other Directors need to abstain from voting on the Board resolutions for considering and approving the Renewed Property Leasing Framework Agreements.

The Directors (including all independent non-executive Directors) are of the view that (i) the terms of the Renewed 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 Renewed 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(ies)”	the property(ies) and/or land owned by the Group
“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 NEEQ (NEEQ stock code: 400245)
“CGA Group”	CGA and its subsidiaries

“CGA Property(ies)”	the property(ies) and/or land owned by the CGA Group
“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
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“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)
“NEEQ”	National Equities Exchange and Quotations
“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
“Previous Baoxin Property Leasing Framework Agreement”	the property leasing framework agreement dated 3 November 2022 between the Company and CGA, pursuant to which the Group would lease certain Baoxin Properties to the CGA Group
“Previous CGA Property Leasing Framework Agreement”	the property leasing framework agreement dated 3 November 2022 between CGA and the Company, pursuant to which the CGA Group would lease certain CGA Properties to the Group
“Renewed Baoxin Property Leasing Framework Agreement”	the renewed property leasing framework agreement dated 9 December 2024 between the Company and CGA, pursuant to which the Group shall lease certain Baoxin Properties to the CGA Group

“Renewed CGA Property Leasing Framework Agreement”	the renewed property leasing framework agreement dated 9 December 2024 between CGA and the Company, pursuant to which the CGA Group shall lease certain CGA Properties to the Group
“Renewed Property Leasing Framework Agreements”	collectively, the Renewed Baoxin Property Leasing Framework Agreement and the Renewed CGA Property Leasing Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

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

The PRC, 9 December 2024

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