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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)

SUPPLEMENTAL INFORMATION TO QUARTERLY UPDATE ON RESUMPTION PROGRESS

This announcement is made by Grand Baoxin Auto Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 30 September 2026 in relation to the quarterly update on resumption progress. This announcement is to supplement further information to the shareholders of the Company (“**Shareholders**”) in relation to the resumption progress.

FURTHER UPDATE OF THE COMPANY’S BUSINESS OPERATIONS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to inform that as at the date of this announcement, the Company no longer operated any dealership outlets. Since second half of 2025, the Company has been disposing the underperforming dealership outlets in order to optimize the production and operation layout of the Group and coordinate the use of its resources. Following the disposal of Karamay Xindebao Economic and Trade Development Co., Ltd. (克拉瑪依鑫德寶經貿發展有限公司) and Karamay Yanbao Automobile Sales and Service Co., Ltd. (克拉瑪依燕寶汽車銷售服務有限公司), the Group ceased to operate any automobile dealership outlets. Following the close-down of all dealership outlets, the Company is currently principally engaged in the leasing of properties (which are originally used as the dealership outlets), along with a certain amount of after-sales repair services. The Company will closely monitor the outlook of the automotive dealership industry, proactively adjust its operating strategy, and, based on its current nationwide self-owned store assets, explore future paths for developing its core business. For further details of the aforementioned two disposals, please refer to the announcements of the Company respectively dated 15 May 2026 and 10 June 2026.

In particular, the total number of dealership outlets being revoked was 91, which involved mainly the BMW brand and certain other automotive brands including Audi, Buick, Nissan, Toyota, Jaguar Land Rover, Cadillac, Volvo, Hyundai, Chevrolet and the ultra-luxury series. Based on the financial information of the Group for the year ended 31 December 2023, the total revenue attributable to these dealership outlets accounted for 97.16% of the total revenue of the Group for the year ended 31 December 2023.

Meanwhile, the total number of underperforming stores being closed down was 45, which included those stores related to Ningbo Tianhua. These underperforming and closed stores involved the BMW, Audi, Buick, Porsche, Jaguar Land Rover, Cadillac, Volvo, Hyundai, Chevrolet, Toyota brands. Based on the financial information of the Group for the year ended 31 December 2023, the total revenue attributable to these underperforming and closed stores accounted for 50% of the total revenue of the Group for the year ended 31 December 2023.

The revocation of authorizations for 91 dealership stores was primarily due to the continuous deterioration of the overall automotive dealership industry and the Group's own operating environment between 2024 and 2026. Specifically, the traditional automotive dealership business has faced multiple pressures, including inverted retail prices for new vehicles, wholesale and inventory pressures from original equipment manufacturers (OEMs), prolonged rebate collection cycles, declining demand for internal combustion engine (ICE) vehicles, the diversion of customer traffic by the direct-sales model of new energy vehicles (NEVs), and intensified market competition. These factors have put sustained pressure on the profitability and cash flows of dealership stores.

Against the aforementioned industry backdrop, the Group's automobile sales revenue recorded consistently low levels, with significant unsalability observed in certain brands and vehicle models, resulting in limited overall revenue scale and profit contribution from the relevant dealership stores. The closure of the relevant stores and the revocation of authorizations were not sudden, isolated events occurring in the short term, but rather the cumulative result of the sustained sluggishness of the Group's dealership business, the decline in industry prosperity, and the accumulation of liquidity pressures. Given the Group's latest operating conditions, as automobile sales revenue was already suboptimal, the relevant store closures have a relatively limited marginal impact on the Group's current operating revenue.

Besides, affected by the tightening of the Group's financing environment, the contraction of bank credit lines, and debt repayment pressures, certain dealership stores of the Group failed to continuously meet OEM requirements regarding wholesale targets, inventory levels, payment arrangements, operating funds, and other dealer commercial policies. This consequently triggered the termination or revocation of authorization arrangements initiated by the OEMs pursuant to the relevant dealership authorization agreements and commercial policies.

With respect to the 91 stores whose authorizations were revoked, such revocations were primarily made by the relevant OEMs based on their authorization agreements, brand network policies, and commercial judgments, rather than initiated voluntarily by the Group. However, the Group confirms that certain triggering factors for the revocations were related to the Group's operational funding pressures, financial losses, and failure to continuously satisfy the OEMs' commercial policies. For the purposes of loss cutting, optimizing resource allocation, and safeguarding cash flow security, the Group also proactively disposed of or closed certain underperforming stores. These proactive closures or disposals partially overlap with the OEMs' revocations of authorization.

To supplement, the Company has been actively seeking external cooperation and negotiating with interested enterprises to restore its core businesses. However, traditional auto dealerships are suffering from double drops in both customer traffic and profitability under multiple pressures, including losses caused by inverted retail prices of new vehicles, cash flow strains due to inventory forcing by OEMs, declining demand for fuel vehicles, market share compression from the direct-sales model of new energy vehicles (NEVs), and high transformation costs driven by rebate-coerced competition. Consequently, the industry continues to experience closures and consolidation.

Furthermore, NEV dealerships are also generally experiencing losses in car sales and facing tight cash flows, with profitability margins continuously squeezed. This is due to frequent price cuts by automakers, inverted selling prices, high investments in store construction and maintenance, strict sales assessments, slow rebate collections, and the diversion of customer traffic by direct-sales channels. Due to the severe headwinds in the current overall automotive market environment, investors remain highly cautious and hence, no substantial progress has been achieved in this aspect as of the date of this announcement.

FURTHER UPDATE OF THE COMPANY’S AUDIT PROGRESS

Reference is made to the announcements of the Company dated 28 March 2025, 31 March 2025, 29 April 2025, 18 June 2025, 30 June 2025, 14 July 2025, 19 August 2025, 3 October 2025, 31 December 2025, 31 March 2026 and 30 June 2026 regarding, among other things, the delay in publication of the annual results of the Company for the year ended 31 December 2024 (the “**2024 Annual Results**”) and the suspension of trading in the shares of the Company on the Stock Exchange from 9:00 a.m. on 1 April 2025, the resumption guidance for the resumption of trading in the shares of the Company and the quarterly update on resumption progress (collectively, the “**Announcements**”).

Based on the Announcements, the Board would like to inform that the outstanding audit procedures in relation to the publication of the 2024 Annual Results remain to include tasks of (1) the data collection relating to the closed outlets or stores during the authorization period, (2) the valuation and (3) the on-site inventory and asset valuation.

Data collection relating to the closed outlets or stores

The Company only had access to the financial data of the relevant dealership outlets of the Company during the authorization period, which means that, following the termination of the dealership license, the automobile OEM would terminate the dealer’s access to its operating system, rendering the dealer unable to retrieve relevant financial and operational data therefrom. The dealer would coordinate the post-termination financial reconciliation process with the OEM through various channels, including but not limited to emails, telephone conferences, and on-site meetings. Upon completion of the process, the OEM would notify the dealer of the financial outcomes. The final financial results of the dealership outlets (including any debt liabilities) can only be conclusively determined after the completion of this process.

This post-termination arrangement is implemented by the automobile OEM, and thus is substantially not within the Company’s ambit of control. After the termination of the dealership license, the Company has been actively communicating with the OEM regarding post-termination reconciliation. As such, the Company has taken and implemented all necessary measures and steps to complete the outstanding audit procedures in this aspect.

Based on the current audit work status as of the date of this announcement, certain of the financial data relating to the closed outlets or stores have been provided to the auditor. The current audit pending matters in this respect mainly focus on the final settlement of automobile suppliers that have revoked authorization or closed stores, external correspondence, partial original vouchers, and system data supplementation.

The Company has acted promptly to provide requisite information and documents to Beijing Xinghua Caplegend CPA Limited (the new auditor of the Company, “**Beijing Xinghua**”) as requested. At the same time, the Company has been and is in the course of actively liaising with the relevant stakeholders to respond to the auditors’ audit requests.

The Company is working closely with Beijing Xinghua with a view to resolving these outstanding matters concerning financial data relating to the closed outlets or stores as soon as practicable.

For avoidance of doubt, the Company would like to emphasize that in the past, our Group made use of our own SAP ERP management system mainly to conduct the recording of financial data of our distribution stores, independent accounting sets for each store, and the Group’s financial consolidation process. In particular, each distribution store independently records financial information such as sales, procurement, inventory, after-sales maintenance, accounts receivable and payable, bank receipts and payments, and expenses in daily operations; At the Group level, consolidation and review are carried out through unified accounting policies, monthly closing, financial statement submission, and consolidation processes. As such, the automobile suppliers’ information systems were designated to record or confirm operational and settlement data related to brand authorization, vehicle wholesale, rebates, quality assurance, claims, after-sales, and withdrawal settlement.

After the concerned authorizations were terminated, the relevant automobile suppliers had terminated the dealers’ access to the relevant systems, so the Company became restricted in obtaining some supplier side’s information, final settlement data and related external confirmations. Nonetheless, this restriction does not mean that our Company has not kept its own financial books and accounting records in the past. Specifically, the Group has implemented internal control measures for the financial information of its operating stores, including but not limited to: unified accounting policies and subject systems, SAP ERP system permission management, procurement and sales approval processes, inventory inbound and outbound processes, bank account and fund payment approvals, monthly closing reviews, Group financial consolidation and management reviews, reconciliation of store’s and automobile supplier’s settlement statements and bank statements, and reporting mechanisms for major abnormal events. Therefore, the current audit pending matters are not related to the lack of historical financial records of the Group.

Valuation

The Company has engaged Gold Certified (Shanghai) Asset Appraisal Co., Ltd. (金證(上海)資產評估有限公司) as its external independent valuer.

During the period under review, the cancellation of brand authorizations across various management regions and dealership brands continued to evolve. The number of affected stores and the subsequent financial impact have progressively expanded over time. Because these dynamic variations exert a highly significant and material influence on the underlying appraisal assumptions, the valuer has been unable to form a definitive and reasonable valuation opinion at this stage, and the finalized valuation fee remains under discussion between the valuer and the Company. The outstanding matters primarily involve the verification of asset inventory lists, for which certain operational stores currently only possess electronic records while the physical, signed versions remain outstanding.

The Company has mobilized regional personnel to conduct comprehensive internal archives searches and is proactively negotiating with the valuer to determine the valuation basis. However, despite these efforts, certain physical source documents remain temporarily unavailable as of the date of this announcement.

On-site inventory and asset valuation

As disclosed in the Company's announcement dated 31 March 2026, subsidiaries of the Group are geographically dispersed and many closed stores' land and buildings have been leased to third parties, and some leased-and-built sites have been vacated or reclaimed by lessors, hence the task of on-site inventory and asset valuation became more difficult.

For the sake of clarity, during the normal operation, any closure, and disposal of distribution stores, regular inventory checks are usually conducted in accordance with the internal management requirements of the Group, where electronic archives, system records, handover materials, or other supporting documents are formed. Due to the concentrated revocation, closure of, and frequent personnel changes related to our Group's dealership outlets between 2024 and 2026, some stores have missing paper approval documents, difficulties in retrieving original vouchers, staff resigning, or venues being cleared and reclaimed by the lessors, each of which has increased the difficulty for auditors and appraisers to conduct on-site reviews and obtain paper evidence. In particular, asset valuation and impairment testing are generally conducted in conjunction with annual audit work and other valuation agency procedures. Before leasing or vacating the relevant stores, the usage status, withdrawal settlement, authorization status of the automobile suppliers, recoverable amount, subsequent disposal plan, and impairment testing criteria of some assets are still dynamically changing, making it difficult for the relevant professional valuation agencies to form a complete and stable valuation basis at that time. Therefore, some formal asset valuation work was not completed before all relevant stores were rented out or vacated.

The Company is currently coordinating with auditing agencies, valuation agencies, automobile suppliers, banks, lessors, etc. to provide relevant information, including electronic inventory records, fixed asset lists, handover documents, photos, leasing or vacating documents, disposal documents, suppliers' settlement information, and other alternative audit evidence. We will cooperate with auditors and appraisers to adopt alternative procedures according to the actual situation to support on-site inventory counting, asset valuation, and impairment testing conclusions.

In addition, the assessment of the Group's overall going concern is not yet finalized, which would result in the inability to produce definitive audited financial figures.

Given the aforementioned, the Company has acted promptly to provide requisite information and documents to Beijing Xinghua as requested. At the same time, the Company has been and is in the course of actively liaising with the relevant stakeholders to respond to the auditors' audit requests.

To ensure the completeness and reasonableness of the 2024 Annual Results, Beijing Xinghua, subject to the actual conditions, would make adjustments to the audit procedures to perform and complete necessary audit procedures in respect of the 2024 Annual Results, and to ensure that changes to the industry and the Company are appropriately reflected in the consolidated financial statements of the Group for the year ended 31 December 2024.

The Company is working closely with Beijing Xinghua with a view to resolving the above outstanding matters and completing the audit as soon as practicable.

The publication of this announcement is to provide updated information on the business operations and audit progress of the Company to the Shareholders and potential investors of the Company.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2025, pending the publication of the annual results of the Company for the years ended 31 December 2024 and 31 December 2025, and the interim results of the Company for the six months ended 30 June 2025 and the six months ended 30 June 2026.

Shareholders of the Company and potential investors should exercise caution when dealing in the Company's shares.

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

Hong Kong, 23 October 2026

As at the date of this announcement, the Company's executive directors are Mr. MA Fujiang and Mr. WANG Sheng and the independent non-executive directors are Mr. HUANG Kai, Ms. LI Wenjun and Mr. CHEN Yuhang.