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## **China MeiDong Auto Holdings Limited**

**中國美東汽車控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1268)**

### **DISCLOSEABLE TRANSACTION**

#### **ACQUISITION OF**

#### **NANJING XIEZHONG LEXUS AUTOMOBILE SALES AND SERVICES CO., LTD.**

#### **THE ACQUISITION AGREEMENT**

The Board is pleased to announce that on 12 August 2021, Dongguan Meixin (an indirect wholly-owned subsidiary of the Company) (as purchaser), the Seller and the Target Company entered into the Acquisition Agreement, pursuant to which Dongguan Meixin has conditionally agreed to acquire 100% equity interests in Nanjing Xiezhong Lexus Automobile Sales and Services Co., Ltd. (南京協眾雷克薩斯汽車銷售服務有限公司) for a total cash consideration of RMB420 million, subject to the terms and conditions of the Acquisition Agreement.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Proposed Acquisition is in line with the Group's development strategy of expanding its existing dealership network and brand portfolio through selected acquisitions. The dealership network and growth potential of the Target Company in Nanjing will complement the Group's existing network and give rise to synergy effects, strengthening the Group's market position in the PRC. The Group is looking forward to entering the Nanjing market and providing outstanding Lexus products and services to automobile customers in Nanjing. The Group is also confident and hoping that through acquisitions, it can enhance its existing markets and enter into new markets, thereby providing luxurious automobiles and exceptional services to more customers.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition in accordance with the Listing Rules exceed 5% but all of them are less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion of the Proposed Acquisition is subject to, among other things, satisfaction or waiver of the condition precedent under the Acquisition Agreement. The Proposed Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **THE ACQUISITION AGREEMENT**

The principal terms of the Acquisition Agreement are summarised as follows:

### **Date:**

12 August 2021

### **Parties:**

- (1) Dongguan Meixin (as purchaser)
- (2) the Seller
- (3) the Target Company

To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, the Seller, the Target Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

### **Subject matter to be acquired:**

100% equity interests in the Target Company, while the audited distributable profit of the Target Company accrued before Completion shall be distributed to the Seller provided the Settlement (as defined below) is effected.

## **Consideration:**

The Consideration for the Proposed Acquisition is RMB420 million provided that the Seller shall bear all taxes arise from the transfer of equity interests of the Target Company. The Consideration will be settled in cash according to the following schedule pursuant to the Acquisition Agreement:

- (1) the 1st instalment of RMB126 million (being 30% of the Consideration), shall be paid within one business day from the date of signing of the Acquisition Agreement provided that (i) Dongguan Meixin and the Seller having signed all documentations required for the industrial and commerce filing registration (which shall be delivered to Dongguan Meixin for custody), concurrently with the signing of the Acquisition Agreement; (ii) the Seller having notified the brand (Lexus) manufacturer of the Proposed Acquisition in accordance with the relevant requirements under the dealership agreement, and the brand manufacturer not objecting to the Proposed Acquisition. The Seller undertakes that it shall procure the Target Company (and the Target Company undertakes) to repay bank loans of RMB77,200,000 within 2 business days, failing which will entitle the Buyer not to pay the remaining outstanding consideration (including the 2nd instalment);
- (2) the 2nd instalment of RMB168 million (being 40% of the Consideration), subject to a reduction of the Deductible Liabilities (as defined below), if any, in accordance with the Acquisition Agreement, shall be paid within one business day from the date of the completion of the industrial and commerce registration for the Proposed Acquisition, showing Dongguan Meixin as the sole shareholder of the Target Company;
- (3) the 3rd instalment of RMB84 million (being 20% of the Consideration), subject to a reduction of the Deductible Liabilities (as defined below), if any, in accordance with the Acquisition Agreement, shall be paid within one business day following the delivery of management right (such delivery shall take place on the date of completion of the industrial and commerce registration for the Proposed Acquisition);
- (4) the 4th instalment of RMB42 million (being 10% of the Consideration), shall be paid within 7 business days from the 1st anniversary of the delivery of management right (after making the Eligible Deduction (as defined below), if any, in accordance with the Acquisition Agreement).

Pursuant to the Acquisition Agreement, within 7 business days from the date of the 1st instalment, the Seller shall recover all receivables, clear all debts and discharge all guarantees (inclusive of receivables, debts and guarantees which have not yet due) (the “**Settlement**”), including without limitation, recover all account receivables of the Target Company; settle all debts of the Target Company; clear, discharge or terminate all types of guarantee (obligations) undertaken by the Target Company (or upon its equity interests and/or assets); confirm all entries in current accounts. In the event that (i) Settlement does not occur within 7 business days following the payment of the 1st instalment of the Consideration (including without limitation, if any accounts receivables have not been recovered, or debts or guaranteed have not been repaid or discharged prior to the completion of the industrial and commerce registration), (ii) there being potential costs and expenses resulting from subsisting coupons issued by the Target Company (the total amount of actual or potential liabilities, outstanding guarantee and receivable unrecovered pursuant to (i) or (ii) collectively as the “**Deductible Liabilities**”) and/or (iii) there being any expenses on supplementary equipment that the Target Company needs to incur in order to meet the evaluation criteria of the brand manufacturer on the Target Company for its normal operations (the total amount of actual or potential liabilities, outstanding guarantee and receivable unrecovered pursuant to (i), (ii), or (iii) collectively as the “**Eligible Deduction**”), Dongguan Meixin shall be entitled to set-off the Deductible Liabilities and Eligible Deduction deductible against the remaining Consideration payable, and may apply such part of Consideration set-off to supplement the Target Company’s assets and capital to settle the liabilities of and discharge the guarantee provided by the Target Company.

The Consideration was arrived at after arm’s length negotiation between the Company and the Seller. The Company considered the profits and assets of the Target Company of the two years ended 31 December 2020, the operating locations and scale of the Target Company, the potential managerial, operational and financial synergies between the Group and the Target Company, the Proposed Acquisition’s enhancement to the Group’s luxury brand portfolio, and the prospects of the Target Company.

The Company intends to satisfy the Consideration with internal resources of the Group.

### **Conditions precedent:**

Filing for the industrial and commerce registration for the Proposed Acquisition by Dongguan Meixin and the Seller is subject to the following conditions being waived by Dongguan Meixin or satisfied by the relevant parties:

- (1) the Target Company having cleared all credits, debts and guarantee (including without limitation any types of loans, current accounts with Seller or its related companies or any third parties, entrusted loans, and bank loans, account receivables, guarantees and notes);

- (2) unless otherwise agreed, other assets or conditions of the Target Company can meet the evaluation criteria of the brand manufacturer on the Target Company for its normal operations, and without need for additional investment on acquisition or construction;
- (3) if applicable, having obtained the brand manufacturer's consent on the Proposed Acquisition;
- (4) if any filing and approval is required with respect of concentration of business operators, the documentation from Anti-monopoly Bureau approving a concentration of business operator under the Acquisition Agreement having been obtained;
- (5) Dongguan Meixin having completed its due diligence exercise on the Target Company, and having agreed to proceed with the performance of the Acquisition Agreement. The final Consideration (after taking into account any Eligible Deduction contemplated under the Acquisition Agreement, if any) having been confirmed;
- (6) all prior consent from third parties required under laws, regulations or binding contracts (such as lender under a loan agreement) having been obtained;
- (7) all representations, warranties and undertakings by the Seller and the Target Company under the Acquisition Agreement being true, accurate and complete; and
- (8) there being no changes with material adverse on the Target Company regarding the following matters, including without limitation, provision of guarantee and warranty, imposition of charge, pledge or other rights over its properties, waiver of credits against any parties or waiver or right to claim, amendment of existing contracts which has an adverse impact to Dongguan Meixin or the Target Company, incurrence of loss, or change of relationship with its brand manufacturers, suppliers, customers or employees with a material adverse effect on the Target Company; (other than in its ordinary course of business) transfer of equity interests, material assets, transfer or license of the Target Companies' intellectual properties; generation of any resolutions of shareholders or board of directors which are different from the Target Company's usual matters; declaration, payment (or intention to declare or pay) dividends, bonuses or other types of shareholders distribution; division, merger with third party(ies), acquisition of equity interests, assets or business; any act or omission in contravention of the representations and warranties under the Acquisition Agreement; or any act or omission in contravention of any of the above.

Dongguan Meixin and the Seller shall submit the filing materials for the industrial and commerce registration of the Proposed Acquisition and change of shareholder on the date of completion of the Settlement and in any event no later than 7 business days of the 1st instalment. In any event, Dongguan Meixin is entitled to apply for the change of shareholder unilaterally if the Seller could not complete the Settlement within 7 business days from the date of payment of the 1<sup>st</sup> instalment.

## INFORMATION OF THE TARGET COMPANY

The Target Company is established in the PRC with limited liability.

The Target Company is an automobile dealership company in the PRC and operates automobile brand of Lexus. Its principal business activities include (i) sales of Lexus-branded automobiles; (ii) after-sale service; (iii) sales of automobiles parts and accessories; (iv) renovation and modification of automobiles; and (v) organizing exhibition and promotion.

Set forth below is the unaudited financial information of the Target Company for the two years ended 31 December 2020 based on the information available to the Company:

	<b>For the year ended 31 December 2019</b> <i>(RMB'000)</i> <i>(approximately)</i>	<b>For the year ended 31 December 2020</b> <i>(RMB'000)</i> <i>(approximately)</i>
Revenue	606,020	698,710
Net profit before tax	64,803	76,866
Net profit after tax	48,066	57,960

  

	<b>As of 31 December 2019</b> <i>(RMB'000)</i> <i>(approximately)</i>	<b>As of 31 December 2020</b> <i>(RMB'000)</i> <i>(approximately)</i>
Total assets	298,906	352,379

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

## INFORMATION OF THE SELLER

The Seller is a company established in the PRC with limited liability. Based on the information available to the Company, the Seller is owned by Xiezhong International Holding Limited, which is ultimately controlled by Mr. Chen Hao (陳浩) and Ms. Chen Jiao (陳嬌). The Seller is principally engaged in investment information consultancy, business management service, brand management service, marketing, e-commerce planning, sales of automobile, car parts and metallic material, development, transfer, consultancy, technological service in relation to new energy source, applicable and promotion of energy-saving technology, development of hardware and software, import and export of goods and technologies as of the date of this announcement.



## **INFORMATION OF THE COMPANY**

The Company is a limited liability company incorporated in the Cayman Islands. The Group is principally engaged in automobile dealership business authorised by the respective automobile manufacturers of a particular brand in the PRC including the sale of new passenger cars and spare parts, provision of after-sales service and survey services. Dongguan Meixin is an indirect wholly-owned subsidiary of the Company, which is principally engaged in investment holdings as of the date of this announcement.

## **REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION**

The Proposed Acquisition is in line with the Group's development strategy of expanding its existing dealership network and brand portfolio through selected acquisitions. The dealership network and growth potential of the Target Company will complement the Group's existing network and give rise to synergy effects, with the intention to strengthen the Group's market position in the PRC. The Group is looking forward to entering the Nanjing market and providing outstanding Lexus products and services to automobile customers in Nanjing. The Group is also confident and hoping that through acquisitions, it can enhance its existing markets and enter into new markets, thereby providing luxurious automobiles and exceptional services to more customers.

In view of the above, the Directors believe that the terms of the Acquisition Agreement are fair and reasonable, and that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Proposed Acquisition in accordance with the Listing Rules exceed 5% but all of them are less than 25%, the Proposed Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As none of the Directors has a material interest in the transactions contemplated under the Acquisition Agreement, no Director was required to abstain from voting on the relevant board resolution approving the Acquisition Agreement and the transactions contemplated thereunder.

## **GENERAL**

**Completion of the Proposed Acquisition is subject to, among other things, satisfaction or waiver of the condition precedent under the Acquisition Agreement. The Proposed Acquisition may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Acquisition Agreement”	the equity transfer agreement dated 12 August 2021 entered into among Dongguan Meixin (as purchaser), the Seller and the Target Company in relation to the Proposed Acquisition
“Board”	the board of Directors
“Company”	China MeiDong Auto Holdings Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands, shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Proposed Acquisition in accordance with the terms of the Acquisition Agreement
“Consideration”	the consideration for the sale and purchase of the Sale Shares, being RMB420 million
“Dongguan Meixin”	Dongguan Meixin Business Consulting Co., Ltd. (東莞美信企業管理諮詢有限公司), an indirect wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan



“Proposed Acquisition”	the proposed acquisition of the 100% equity interests in the Target Company by Dongguan Meixin from the Seller, on terms and subject to the conditions set out in the Acquisition Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Yueqing Youxu Industrial Development Co., Ltd. (樂清友旭實業發展有限公司), a company established in the PRC with limited liability
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Nanjing Xiezhong Lexus Automobile Sales and Services Co., Ltd. (南京協眾雷克薩斯汽車銷售服務有限公司), a company established in the PRC with limited liability
“%”	per cent

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.*

By Order of the Board  
**China MeiDong Auto Holdings Limited**  
**YE Tao**  
*Chief Executive Officer*

Hong Kong, 12 August 2021

As at the date of this announcement, the Board comprises:

***Executive Directors:***

Mr. YE Fan (*Chairman*)  
Mr. YE Tao (*Chief Executive Officer*)  
Ms. LUO Liuyu

***Independent Non-executive Directors:***

Mr. CHEN Guiyi  
Mr. WANG, Michael Chou  
Mr. JIP Ki Chi