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**CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED**

**中國汽車新零售（控股）有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 526)**

**MAJOR TRANSACTION IN RELATION TO DISPOSAL OF  
THE TARGET GROUP**

**THE DISPOSAL**

The Board is pleased to announce that on 6 May 2022 (after trading hours), the Company and the Purchaser entered into the Agreement in relation to the Disposal, pursuant to which, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire issued share capital of each of the Target Companies at a total consideration of HK\$3 million (or its equivalent amount in RMB).

**LISTING RULES IMPLICATION**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

**GENERAL**

The SGM will be convened and held for the Shareholders to consider, and if thought fit, to approve, among other matters, the Agreement and the transactions, including but not limited to the Disposal, contemplated thereunder.

A circular containing, among other things, (i) further details of the Agreement and the Disposal; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the SGM and a form of proxy, are expected to be despatched to the Shareholders on or before 26 May 2022.

**Completion of the Disposal is subject to fulfillment of the conditions precedent set out in the Agreement, and therefore the Disposal may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board is pleased to announce that on 6 May 2022 (after trading hours), the Company and the Purchaser entered into the Agreement in relation to the Disposal, pursuant to which, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire issued share capital of each of the Target Companies at a total consideration of HK\$3 million (or its equivalent amount in RMB).

## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

Date: 6 May 2022

Parties: (i) the Company; and  
(ii) the Purchaser

### **Asset to be disposed of**

Pursuant to the Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire issued share capital of each of the Target Companies subject to the terms and conditions contained in the Agreement.

### **Consideration**

Pursuant to the terms of the Agreement, the total consideration shall be HK\$3 million (or its equivalent amount in RMB) which shall be paid by the Purchaser to the Company in cash on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser and was determined with reference to, amongst others, (i) the unaudited combined net liabilities of the Target Group of approximately RMB1.17 billion as at 28 February 2022; and (ii) the valuation of the Target Group, which is nil as at 28 February 2022 based on the preliminary assessment by the valuer.

### **Conditions precedent**

Completion shall be conditional upon and subject to:

- (a) all approvals, consents, notices, filings and licenses required by the Company and/or the Purchaser under the applicable laws and regulations, internal policies and other agreements in respect of the transactions contemplated under this Agreement have been obtained or (if applicable) exempted;
- (b) the Shareholders having passed the resolutions approving the Agreement and the transactions contemplated hereunder at the SGM; and
- (c) (if applicable) all third party consents, approvals and notices which are required to be obtained pursuant to any applicable laws or agreements involving the Company or any members of the Target Group in connection with the Agreement and the transactions contemplated thereunder having been obtained.

None of the conditions can be waived.

In the event that any of the above conditions precedent have not been fulfilled on or before the Long Stop Date, the Agreement shall cease and terminate immediately unless the Company and the Purchaser agree to postpone the Completion in writing. Upon termination of the Agreement, parties to the Agreement shall be released and discharged from their respective obligations under the Agreement, save for obligations with continuing effect under the Agreement.

### **Completion**

Completion shall take place on the Completion Date, i.e. the second (2nd) Business Day following fulfillment of all conditions precedent in the Agreement (or such other date as the Company and the Purchaser may agree in writing).

## **INFORMATION OF THE GROUP**

The Company is an investment holding company principally engaged in the trading of imported cars. As at the date of this announcement, the Group operates business through six segments: (i) the car trading platform segment is engaged in providing imported cars platform services and property rental services; (ii) the car-sale segment is engaged in the trading of imported cars; (iii) the manufacturing and trading segment is engaged in the manufacture and trading of plastic and metallic household products; (iv) the retail segment is engaged in the management of department stores and the operation of supermarket operation; (v) the wholesale segment is engaged in the wholesales of wine and beverages and electrical appliances; and (vi) the investments holding segment is engaged in the debts management and the investment in equity securities.

## **INFORMATION OF THE TARGET GROUP**

### **Target Company 1**

Target Company 1 is an investment holding company incorporated in the BVI with limited liability. As at the date of this announcement, Target Company 1 is a wholly-owned subsidiary of the Company, and the holding company (whether directly or indirectly) of (i) the entire issued share capital of Prosper Ocean, and (ii) the entire equity interest in each of (a) Tianjin Prominent and (b) Tianjin Binhai.

Prosper Ocean is an investment holding company incorporated in Hong Kong with limited liability.

Tianjin Prominent is a company established in the PRC with limited liability and is principally engaged in investment holding and the provision of ancillary services related to parallel imported car trading platform.

Tianjin Binhai is a company established in the PRC with limited liability and is principally engaged in the operation of parallel imported car trading platform. Tianjin Binhai has two self-owned properties in the PRC situated at (i) Cali Building, No. 188 Tianbao Avenue, Binhai New District, Tianjin, the PRC and (ii) Tianjin Binhai International Automobile City, No. 86 Tianbao Avenue, Binhai New District, Tianjin, the PRC, both being investment properties held by the Group in return of rental income.

### **Target Company 2**

Target Company 2 is an investment holding company incorporated in the BVI with limited liability. As at the date of this announcement, Target Company 2 is a wholly-owned subsidiary of the Company, and the holding company (whether directly or indirectly) of (i) the entire issued share capital of World Vast International, and (ii) the entire equity interest in Tianjin Calistar.

World Vast International is an investment holding company incorporated in Hong Kong with limited liability.

Tianjin Calistar is a company established in the PRC with limited liability and is principally engaged in the trading and sales of imported cars and providing related services, and the provision of agency services for trading of cars.

## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited combined financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for the years ended 31 March 2020 and 2021 respectively:

	<b>For the year ended 31 March 2020 (unaudited) (RMB'000)</b>	<b>For the year ended 31 March 2021 (unaudited) (RMB'000)</b>
Net loss before taxation	185,500	2,780,315
Net loss after taxation	201,350	2,771,067

The unaudited combined net liabilities of the Target Group was approximately RMB1.17 billion as at 28 February 2022.

## INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability. The principal business of the Purchaser is an investment holding. As at the date of this announcement, the Purchaser is wholly owned by Ms Mary Xu. Ms Xu is the owner of a group a member of which, namely Zhejiang Chain Technology Co., Ltd. (浙鏈科技有限公司), is an e-commerce service provider, in the PRC, headquartered in Ningbo, Zhejiang Province, the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

## FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Companies (including their respective subsidiaries) will cease to be the wholly-owned subsidiaries of the Company and the financial results and assets and liabilities of the Target Group will cease to be consolidated into the accounts of the Group. Furthermore, upon Completion, the Group will cease to engage in the trading of imported cars business and the provision of imported cars platform services business (collectively, the "**Automotive Business**").

The unaudited gain expected to be derived from the Disposal is approximately RMB1.17 billion, representing the sum of the amount of consideration of the Disposal and the amount of the unaudited combined net liabilities of the Target Group as at 28 February 2022 taking into account the corresponding foreign exchange reserve, transaction costs and tax. The actual gain or loss from the Disposal to be recorded by the Group is subject to audit and review by the auditor of the Company and will be assessed based on financial position of the Target Group as at the Completion Date.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

The financial results of the Target Group had been affected by the outbreak of the COVID-19 and the implementation of Limits and Measurement Methods for Emission from Light-duty Vehicles (CHINA VI) (《輕型汽車污染物排放限值及測量方法（中國第六階段）》), and therefore, the performance of the Group's Automotive Business dropped precipitously in the year of 2020 and 2021. In particular, the Automotive Business has been suspended in the financial year ended 31 March 2021 and have not yet been fully resumed as of the date of this announcement. As a result, the Target Group recorded minimal turnover since then and was unable to repay the outstanding debts and bank loans on time.

As at 28 February 2022, the Target Group's unaudited combined net liabilities was approximately RMB1.17 billion, which included bank and other loans of approximately RMB1.5 billion. Amongst which, bank and other loans of RMB1.04 billion have been overdue as at 28 February 2022 and have not been fully settled or renewed as of the date of this announcement. Included in these bank and other loans were RMB459 million the lenders of which have commenced litigations against the Target Group for repaying the outstanding balances.

Furthermore, the Target Group has provided guarantees to some of its customers' lenders in relation to these customers' banking facilities and bank loans amounting to RMB2.4 billion as at 28 February 2022. As at 28 February 2022, bank loans of RMB274 million out of the abovementioned guarantees were defaulted. Included in these bank loans were RMB50 million the banks of which have commenced litigations against the borrowers and their guarantors, including the Target Group, for repaying the outstanding loans.

Considering, amongst others, (i) the net liabilities position of the Target Group; (ii) the Target Group had not been able to repay the outstanding debts and bank loans on time; and (iii) the uncertainties of the prospect of industry and national policies on imported cars business in the PRC, it is expected that the Disposal would provide an opportunity for the Group to reduce its debt burden and to improve the Group's financial performance and financial position.

The estimated net proceeds from the Disposal (after deduction of professional fees and other related expenses) is approximately HK\$0.16 million, which is expected to be used for general working capital of the Group.

Having taken into account the above factors, the Directors are of the view that the Disposal is carried out on a normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

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## **GENERAL**

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A circular containing, among other things, (i) further details of the Agreement and the Disposal; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the SGM and a form of proxy, are expected to be despatched to the Shareholders on or before 26 May 2022.

**Completion of the Disposal is subject to fulfillment of the conditions precedent set out in the Agreement, and therefore the Disposal may or may not proceed to Completion. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, the following words and expressions shall have the meanings set out below, unless the context otherwise requires:

“Agreement”	the sale and purchase agreement in relation to the Disposal entered into among the Company and the Purchaser on 6 May 2022
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Business Days”	means any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“Company”	China Automobile New Retail (Holdings) Limited (stock code: 526), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Agreement
“Completion Date”	a day falling on the second (2nd) Business Day following the conditions precedent to Completion are fulfilled (or such other date as the Company and the Purchaser may agree in writing)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate sum of HK\$3 million (or its equivalent amount in RMB) to be paid by the Purchaser to the Company for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of each of the Target Companies pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected with the Company and/or the connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange



“Long Stop Date”	25 June 2022
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prosper Ocean”	Prosper Ocean International Enterprise Limited (盛海國際企業有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Target Company 1 as at the date of this announcement
“Purchaser”	Kenpay International Company Limited (肯付國際有限公司), a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	a special general meeting of the Company to be convened to approve the Agreement and transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company 1”	Robust Cooperation Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Target Company 2”	Mega Convention Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“Target Companies”	Target Company 1 and Target Company 2
“Target Group”	Target Company 1, Target Company 2 and their respective subsidiaries

“Tianjin Binhai”	Tianjin Binhai International Auto Mall Co., Ltd.* (天津濱海國際汽車城有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Target Company 1 as at the date of this announcement
“Tianjin Calistar”	Tianjin Calistar Automall Operation Management Co., Ltd.* (天津開利星空汽車城運營管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Target Company 2 as at the date of this announcement
“Tianjin Prominent”	Tianjin Prominent Hero International Logistics Co., Ltd.* (天津英之傑國際物流有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Target Company 1 as at the date of this announcement
“World Vast International”	World Vast International Enterprise Limited (世浩國際企業有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Target Company 2 as at the date of this announcement
“%”	per cent.

\* *For identification purpose only*

By order of the Board  
**CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED**  
**Cheng Jianhe**  
*Director*

Hong Kong, 6 May 2022

*As at the date of this announcement, the Board comprises Mr Li Lixin, Mr Cheng Jianhe and Ms Jin Yaxue being executive directors, Ms Cheng Weihong being non-executive director, Mr He Chengying, Mr Shin Yick Fabian and Mr Kwong Kwan Tong being independent non-executive directors.*