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China Yongda Automobiles Services Holdings Limited
(中國永達汽車服務控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 03669)

**SHARE TRANSACTION ANNOUNCEMENT
IN RELATION TO LETTER OF INTENT**

THE PROPOSED ACQUISITION

The Board is pleased to announce that on June 22, 2017 (after trading hours), Automobile Group (a wholly-owned subsidiary of the Company) as Purchaser and an individual (an independent third party), as Seller, entered into the Letter of Intent pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire equity interests in each of the Target Companies at the Consideration of RMB423,000,000 (subject to adjustment), 20% of which shall be satisfied by cash and 80% shall be settled by the allotment and issue of the Consideration Shares by the Company.

Based on the closing price of the Shares on June 21, 2017, approximately 48,690,305 Consideration Shares are expected to be issued, representing: (i) approximately 2.99% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.90% of the issued share capital of the Company as enlarged by the Consideration Shares. Please refer to the paragraph headed "Issue of Consideration and Issue Price" for further details.

IMPLICATIONS UNDER THE LISTING RULES

All the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Acquisition are less than 5%. As part of the Consideration will be satisfied by the Consideration Shares, the Proposed Acquisition constitutes a share transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but is exempt from the shareholders' approval requirement.

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with new Shares granted to the Directors by a resolution of the Shareholders subject to the limit of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company, and hence no further Shareholders' approval will be required. Application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares.

Completion of the Proposed Acquisition is subject to the fulfillment (or waiver) of certain conditions precedent. As the Proposed Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on June 22, 2017 (after trading hours), Automobile Group (a wholly-owned subsidiary of the Company) as Purchaser and an individual (an independent third party), as Seller, entered into the Letter of Intent pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire equity interests in each of the Target Companies at the Consideration of RMB423,000,000 (subject to adjustment), 20% of which shall be satisfied by cash and 80% shall be settled by the allotment and issue of the Consideration Shares by the Company.

The Consideration Shares shall be allotted and issued pursuant to the General Mandate, and shall rank *pari passu* with the Shares currently in issue. Based on the closing price of the Shares on June 21, 2017, approximately 48,690,305 Consideration Shares are expected to be issued, representing: (i) approximately 2.99% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Please refer to the paragraph headed "Issue of Consideration and Issue Price" for further details.

THE LETTER OF INTENT

Date

June 22, 2017 (after trading hours)

Parties

- (a) Automobile Group, as Purchaser
- (b) An individual who holds 100% equity interests in China Hengji and 70% equity interests in Dezhou Shengbao as of the date of this announcement, as Seller (together with Automobile Group as the "**Parties**", and each a "**Party**")

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller (as ultimate beneficial owner of the Target Companies) is an independent third party not connected with the Company and its connected persons (having the meaning ascribed to it in the Listing Rules).

Assets to be acquired

- (a) 100% equity interests in China Hengji, an investment vehicle which directly holds 100% equity interests in another investment vehicle Weifang Guanyu, which in turn directly holds Weifang Shengbao, Zibo Shengbao and Dongyingyi Baoxuan. Each of Weifang Shengbao, Zibo Shengbao and Dongyingyi Baoxuan operates a BMW 4S dealership; and
- (b) 100% equity interests in Dezhou Shengbao, which operates a BMW 4S dealership.

Due diligence and definitive agreement

Within five business days upon the date of the Letter of Intent, the Purchaser will conduct due diligence on each of the Target Companies and their aforementioned subsidiaries. Upon satisfaction and acceptance of the Purchaser of the results of its due diligence, the Parties shall enter into a definitive agreement in relation to the Proposed Acquisition within three business days after the completion of the due diligence.

Consideration

The Consideration amounts to RMB423,000,000 (subject to adjustment), 80% of which shall be satisfied by the Purchaser by the Consideration Shares, with the remaining 20% to be satisfied by payment of cash as follows:

- (a) a deposit of RMB10,000,000 in cash shall be payable by the Company to the Seller within three business days after the date of the Letter of Intent;
- (b) 10% of the Consideration shall be payable by the Purchaser to the Seller in cash within three business days after the date of the definitive agreement, which shall be offset by the deposit set out in (a) above in part;
- (c) 80% of the Consideration shall be satisfied by the Purchaser by procuring the Company to allot and issue the Consideration Shares to the Seller no later than August 31, 2017; and
- (d) the remaining 10% of the Consideration shall be paid on the fifth business day from one year after the date of the Letter of Intent.

Basis of Consideration

The Consideration was arrived at after arm's length negotiations between the Parties and on normal commercial terms with reference to, among other things, (i) the expected net asset value of the Target Companies as of May 31, 2017; and (ii) the financial and operating conditions of the Target Companies.

The Purchaser will be entitled to the net profits of the Target Companies from January 1, 2017 and the Target Companies shall not make any distribution of profit to the Seller or its related parties.

The Parties agree that upon conclusion of the Purchaser's due diligence, should the consolidated net profits of the Target Companies from January 1, 2017 to May 31, 2017 fall below RMB20,500,000 and/or the consolidated net assets of the Target Companies as of May 31, 2017 falls below the aggregate of RMB62,000,000 and the consolidated net profits of the Target Companies from January 1, 2017 to May 31, 2017 as set out above, the Consideration shall be adjust downwards by such shortfall.

The Directors including the independent non-executive Directors consider that the Proposed Acquisition is in the interests of the Group and the terms and conditions of the Proposed Acquisition are on normal commercial terms, which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Issue of Consideration Shares and Issue Price

As part of the Consideration, the Seller shall procure the Company to issue Consideration Shares to the Seller or its nominee(s) at the Issue Price.

The Issue Price of the Consideration Shares shall be the higher of: (i) HK\$7.95, being the closing price per Share on June 21, 2017, the day prior to the date of the Letter of Intent as quoted by the Stock Exchange (approximately RMB6.950049 pursuant to the exchange rate published by the People's Bank of China as at June 21, 2017); or (ii) 80% of the closing price per Share as quoted by the Stock Exchange on the date of the issue of the Consideration Shares (that is, no later than August 31, 2017).

Based on the closing price of the Shares on June 21, 2017, approximately 48,690,305 Consideration Shares are expected to be issued, representing:

- (a) approximately 2.99% of the existing issued share capital of the Company of 1,628,163,930 Shares as at June 21, 2017; and
- (b) approximately 2.90% of the issued share capital of the Company of 1,676,854,235 Shares as enlarged by the Consideration Shares (assuming there is no other change in the issued share capital of the Company since June 21, 2017).

Based on an Issue Price of HK\$7.95 per Share, it represents:

- (a) a premium/discount of 0% to the closing price of HK\$7.95 per Share as quoted on the Stock Exchange on June 21, 2017, being the last trading day prior to the date of the Letter of Intent;
- (b) a discount of approximately 0.10% to the average closing price of HK\$7.958 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Letter of Intent; and
- (c) a premium of approximately 3.37% to the average closing price of HK\$7.682 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Letter of Intent.

The Issue Price was arrived at after arm's length negotiations among the Parties after taking into account of the prevailing trading prices of the Shares and the current market conditions. The Directors consider that the Issue Price is fair and reasonable.

General mandate

The Consideration Shares will be allotted and issued under the General Mandate, and hence no further Shareholders' approval will be required. By an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on May 26, 2017, the General Mandate was granted to the Directors to allot and issue up to 20% of the total issued share capital of the Company in issue as at the date of the passing of such resolution, being approximately 324,675,455 Shares. As at the date of this announcement, apart from the proposed allotment and issue of the Consideration Shares, 4,724,152 Shares out of the General Mandate have been utilized.

Application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares. The Consideration Shares, when allotted and issued on completion, will rank *pari passu* in all respects with the existing Shares in issue.

Lock-up undertaking under the Placing and Subscription Agreement

Reference is made to the paragraph headed "Lock Up Undertakings" in the announcement of the Company dated May 12, 2017 in respect of the "Placing of Existing Shares and Top-up Subscription of New Shares under the General Mandate". The Company has obtained prior written consent to the issue of Consideration Shares from each of the Placing Agents notwithstanding the lock-up obligation on the Company under the Placing and Subscription Agreement. For the avoidance of doubt, the lock-up obligation on the Company under the Placing and Subscription Agreement shall remain valid and in full force in all other circumstances. The Company has also undertaken not to issue the Consideration Shares prior to the expiry of the lock-up period (being August 10, 2017).

Conditions precedent

Completion of the Proposed Acquisition is conditional upon the satisfaction of the following conditions precedent:

- (a) completion of the reorganization of China Hengji and Weifang Guanyu (including the disposal of non-related assets) by the Seller such that they only hold 100% equity interest of each of Weifang Shengbao, Zibo Shengbao and Dongyingyi Baoxuan;
- (b) completion of the acquisition of the remaining 30% equity interest in Dezhou Shengbao by the Seller such that the Seller becomes the sole beneficial owner of Dezhou Shengbao;
- (c) the Purchaser being satisfied with and accepted the results of its due diligence;
- (d) the entering into of the definitive agreement in respect of the Proposed Acquisition; and
- (e) the Stock Exchange has granted the approval for the listing of, and permission to deal in, the Consideration Shares.

Termination

The Letter of Intent may be terminated in, among other things, the following circumstances:

- (a) following its due diligence, the Purchaser is of the view that the Target Companies do not satisfy the purpose and terms of the Proposed Acquisition; or
- (b) the Parties are unable to reach an agreement on the terms and conditions of the definitive agreement.

Upon termination, the Seller shall immediately and unconditionally return the deposit of RMB10,000,000 paid by the Purchaser forthwith.

Completion

Upon completion of the Proposed Acquisition, 100% equity interests of the Target Companies will be indirectly owned by the Company. The consolidated financial results of the Target Companies will be consolidated into the financial statements of the Company.

REASON FOR AND BENEFIT OF ENTERING INTO THE LETTER OF INTENT

The Company is a leading passenger vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury automobile brands and own strong luxury and ultra-luxury products portfolio, including BMW/MINI, Audi, Porsche, Jaguar/Land Rover, Bentley, Aston Martin, Volvo, Cadillac, Lincoln, Infiniti and Lexus. The Group has a total of 271 outlets opened and authorized to open as of December 31, 2016, its network has a strong presence in East China, including Shanghai, and has expanded into other regions in China. In addition to passenger vehicle sales business, the Company also provides customers with a comprehensive range of automobile-related services through its “one-stop shop” approach, which includes after-sales services, automobile rental as well as a wide range of other services in relation to pre-owned vehicles, automobile insurance and credit products, automobile finance leasing business and other related services.

The Company continued to explore investment opportunities so as to increase the return for the shareholders of the Company. The Directors believe that the Proposed Acquisition will help strengthen and expand the 4S outlets and network coverage of the Group especially in Shandong province, and further improve the ability to provide customers with comprehensive automobile related services, such as vehicle sales, after-sales services, automobile finance and pre-owned vehicles through its “one-stop shop” approach.

INFORMATION ON THE TARGET COMPANIES

China Hengji is a limited company incorporated under the laws of British Virgin Islands wholly owned by the Seller. China Hengji is an investment vehicle which directly holds 100% equity interests in another investment vehicle Weifang Guanyu, which in turn directly holds 100% equity interests in Weifang Shengbao, Zibo Shengbao and Dongyingyi Baoxuan.

Dezhou Shengbao is a limited company incorporated under the laws of PRC, which is currently owned as to 70% by the Seller and 30% by an independent third party. See also paragraph headed “Conditions Precedent” above.

Each of Weifang Shengbao, Zibo Shengbao, Dongyingyi Baoxuan and Dezhou Shengbao operates a BMW 4S dealership in Shandong province, the PRC.

Based on the information provided by the Seller, the unaudited total assets and net liabilities of the Target Companies as at December 31, 2016 were approximately RMB558,400,000 and RMB30,750,000, respectively. Set below is the unaudited financial information of the Target Companies for the financial years ended December 31, 2015 and 2016 as provided by the Seller:

	For the year ended December 31, 2015	For the year ended December 31, 2016
	<i>RMB</i>	<i>RMB</i>
Loss before taxation	(32,410,000)	(230,000)
Loss after taxation	(32,440,000)	(360,000)

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets forth the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon allotment and issue of the Consideration Shares (assuming completion having occurred and assuming in all cases that there are no other changes in the issued share capital of the Company from the date of this announcement up to the issue of the Consideration Shares):

Shareholder	As at the date of the Announcement		Upon allotment and issue of the Consideration Shares	
	Number of Shares	approximate %	Number of Shares	approximate %
Directors				
Cheung Tak On ⁽¹⁾	658,183,000	40.42	658,183,000	39.25
Cai Yingjie ⁽²⁾	108,962,500	6.69	108,962,500	6.50
Wang Zhigao ⁽³⁾	58,070,500	3.57	58,070,500	3.46
Xu Yue	1,261,000	0.08	1,261,000	0.08
Chen Yi	900,000	0.06	900,000	0.05
Substantial Shareholders				
Gu Mingchang ⁽⁴⁾	91,179,000	5.60	91,179,000	5.44
Baring Private Equity Asia V Holding (7) Limited ⁽⁵⁾	94,136,500	5.78	94,136,500	5.61
Public shareholders				
The Seller	—	—	48,690,305	2.90
Other public shareholders	615,471,430	37.80	615,471,430	36.70
Total	<u>1,628,163,930</u>	<u>100.00</u>	<u>1,676,854,235</u>	<u>100.00</u>

Notes:

- (1) (i) Mr. CHEUNG Tak On is the settlor and protector of a discretionary trust of which HSBC International Trustee Limited acts as its trustee and the beneficiaries of which are Mr. CHEUNG Tak On and certain of his family members (the “**Family Trust**”). Palace Wonder Company Limited (栢麗萬得有限公司) (“**Palace Wonder**”) is wholly-owned by Regency Valley Company Limited (麗晶萬利有限公司) (“**Regency Valley**”), which is in turn wholly-owned by HSBC International Trustee Limited, as the trustee of the Family trust. Mr. CHEUNG Tak On (as founder of the Family Trust), HSBC International Trustee Limited and Regency Valley are deemed to be interested in the 384,000,000 shares held by Palace Wonder.
- (ii) Asset Link Investment Limited (“**Asset Link**”) is wholly-owned by Mr. CHEUNG Tak On and he is deemed to be interested in the 267,080,000 shares held by Asset Link.
- (iii) Mr. CHEUNG Tak On also holds 7,103,000 shares of the Company as beneficial owner.
- (2) Mr. CAI Yingjie holds 100% of the issued share capital of Ample Glory International Investment Company Limited (“**Ample Glory**”) and he is deemed to be interested in the 108,288,000 shares held by Ample Glory. He also holds 674,500 shares of the Company as beneficial owner.

- (3) Mr. WANG Zhigao holds 100% of the issued share capital of Golden Rock Global Investment Company Limited (“**Golden Rock**”) and he is deemed to be interested in the 57,160,000 shares held by Golden Rock. He also holds 910,500 shares of the Company as beneficial owner.
- (4) Runda Holdings Limited (“**Runda Holdings**”) is wholly-owned by Sun Moon China Investment Company Limited (“**Sun Moon**”) and Sun Moon is deemed to be interested in the 76,800,000 Shares held by Runda Holdings. Sun Moon is in turn wholly-owned by Mr. GU Mingchang, the brother of Ms. GU Lifang (being the wife of Mr. CHEUNG Tak On) and he is deemed to be interested in the 14,379,000 shares held by Sun Moon as well as 76,800,000 shares held by Runda Holdings.
- (5) The Baring Asia Private Equity Fund V, L.P. approximately owns 99.35% of Baring Private Equity Asia V Holding (7) Limited. Baring Private Equity Asia GP V, L.P. is the general partner of The Baring Asia Private Equity Fund V, L.P.. Jean Eric SALATA is the sole shareholder of Baring Private Equity Asia GP V Limited (the general partner of Baring Private Equity Asia GP V, L.P.). Each of Baring Private Equity Asia GP V Limited and Jean Eric SALATA is therefore deemed to be interested in 94,136,500 shares held by Baring Private Equity Asia V Holding (7) Limited. Jean Eric SALATA disclaims beneficial ownership of such shares, other than to the extent of his economic interest in such entities.

IMPLICATIONS UNDER THE LISTING RULES

All the applicable percentage ratios (as defined under the Listing Rules) in respect of the Proposed Acquisition are less than 5%. As part of the Consideration will be satisfied by the Consideration Shares, the Proposed Acquisition constitutes a share transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but is exempt from the shareholders’ approval requirement.

The Company will make further announcement upon completion of the due diligence to update the investors on whether the Parties will proceed with the entering into of the definitive agreement and if so, the terms thereof (including but not limited to whether there is any adjustment to the Consideration and Issue Price).

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate to allot, issue and deal with new Shares granted to the Directors by a resolution of the Shareholders subject to the limit of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company, and hence no further Shareholders’ approval will be required. Application will be made to the Stock Exchange for the listing of, and permission to deal in the Consideration Shares.

GENERAL

Completion of the Proposed Acquisition is subject to the fulfillment (or waiver) of certain conditions precedent. As the Proposed Acquisition may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Automobile Group”	Shanghai Yongda Automobile Group Co., Ltd* (上海永達汽車集團有限公司) (formerly known as Shanghai Yongda Automobile International Investment Management Co., Ltd. 上海永達汽車國際投資管理有限公司), a wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company
“China Hengji”	China Hengji Automobiles Group Holding Company Limited* (中國恒吉汽車集團控股有限公司), a limited company incorporated under the laws of the British Virgin Islands
“Company”	China Yongda Automobiles Services Holdings Limited
“Consideration Shares”	the new Shares to be allotted and issued by the Company to the Seller at the Issue Price pursuant to the Letter of Intent
“Consideration”	the total consideration in the sum of RMB423,000,000 payable by Automobile Group to the Seller for the Proposed Acquisition (subject to adjustment)
“Dezhou Shengbao”	Dezhou Shengbao Automobiles Sales Services Company Limited* (德州聖寶汽車銷售服務有限公司), a limited company incorporated under the laws of the PRC
“Director(s)”	the directors of the Company
“Dongyingyi Baoxuan”	Dongyingyi Baoxuan Automobiles Sales Services Company Limited* (東營宜寶軒汽車銷售服務有限公司), a limited company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of China Hengji
“General Mandate”	the ordinary resolution passed in the annual general meeting held on May 26, 2017, in respect of, <i>inter alia</i> , granting a general and unconditional mandate to the Directors to allot, issue and otherwise deal with new Shares not exceeding 20 per cent of the total number of Shares in issue (i.e. 1,623,377,278 Shares) as at the date of that resolution
“Group”	the Company together with its subsidiaries
“Issue Price”	the higher of HK\$7.95 (approximately RMB6.950049 pursuant to the exchange rate published by the People’s Bank of China as at June 21, 2017) or 80% of the closing price per Share as quoted by the Stock Exchange on the date of the issue of the Consideration Shares (that is, no later than August 31, 2017)

“Letter of Intent”	the letter of intent entered into between the Purchaser and the Seller dated June 22, 2017 in connection with the Proposed Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing Agents”	Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch
“Placing and Subscription Agreement”	the agreement dated May 12, 2017 and entered into among the Company, the Placing Agents and the Subscriber in respect of the placing and the subscription
“Proposed Acquisition”	the proposed acquisition of the Target Companies by the Company pursuant to the terms of the Letter of Intent and the definitive agreement at a total consideration of RMB423,000,000 (subject to adjustment)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.01 each of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Asset Link Investment Limited
“Target Companies”	China Hengji and Dezhou Shengbao
“Valuation Date”	December 31, 2016
“Weifang Guanyu”	Weifang Guanyu Investment Management Company Limited* (濰坊冠宇投資管理有限公司), a limited company incorporated under the laws of the PRC and a directly wholly-owned subsidiary of China Hengji

“Weifang Shengbao”

Weifang Shengbao Automobiles Sales Services Company Limited* (濰坊聖寶汽車銷售服務有限公司), a limited company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of China Hengji

“Zibo Shengbao”

Zibo Shengbao Automobiles Sales Services Company Limited* (濰博聖寶汽車銷售服務有限公司), a limited company incorporated under the laws of the PRC and an indirectly wholly-owned subsidiary of China Hengji

* *For identification only*

By order of the board of directors
China Yongda Automobiles Services Holdings Limited
Cheung Tak On
Chairman

Shanghai, June 22, 2017

As at the date of this announcement, the Board comprises (i) five executive directors, namely Mr. Cheung Tak On, Mr. Cai Yingjie, Mr. Wang Zhigao, Mr. Xu Yue and Ms. Chen Yi; (ii) one non-executive director, namely Mr. Wang Liqun; and (iii) three independent non-executive directors, namely Mr. Lyu Wei, Mr. Chen Xianglin and Ms. Zhu Anna Dezhen.