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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 AND CONNECTED TRANSACTION IN RELATION TO
DISPOSAL OF THE TARGET GROUP**

THE DISPOSAL

The Board is pleased to announce that on 28 May 2020 (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 the Consideration of RMB1,250 million or equivalent HK\$1,350 million.

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.

Furthermore, Mr. Li, an executive director and the controlling shareholder of the Company, (i) owns the entire issued share capital of Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited, each of which in turn holds 1,382,141,014 Shares and 1,355,174,666 Shares, and (ii) personally holds 17,822,000 Shares, which in aggregate represent approximately 34.25% of the total issued share of the Company. Mr. Li is therefore a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder, including but not limited to the Disposal are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole and on how to vote. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

GENERAL

The SGM will be convened and held for the Independent 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.

At the SGM, any Shareholder with a material interest in the Agreement and the transactions, including but not limited to the Disposal, contemplated thereunder is required to abstain from voting on the resolution to be put forward to the Independent Shareholders for approving the Agreement and transactions contemplated thereunder. Mr. Li, Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited and their respective associates will abstain from voting on such resolution at the SGM.

A circular containing, among other things, (i) further details of the Agreement and the Disposal; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the SGM and a form of proxy, are expected to be despatched to the Shareholders on or before 18 June 2020.

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. The 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 28 May 2020 (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 the Consideration of RMB1,250 million or equivalent HK\$1,350 million.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date: 28 May 2020

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 Consideration shall be RMB1,250 million or equivalent HK\$1,350 million which shall be satisfied by cash in the following manner:

1. on the Completion Date, the Purchaser shall pay RMB300 million or equivalent HK\$324 million in cash as part of the Consideration to the Company (the “**1st Instalment**”);
2. within 30 days after the Completion Date, the Purchaser shall pay RMB335 million or equivalent HK\$361.8 million in cash as part of the Consideration to the Company (the “**2nd Instalment**”). Upon payment of the whole aggregated balance of the 1st Instalment and the 2nd Instalment, the Company will transfer 50.8% of the entire issued share capital of each of the Target Companies to the Purchaser; and
3. within 12 months after the Completion Date, the Purchaser shall pay RMB615 million or equivalent HK\$664.2 million in cash as the remaining of the Consideration to the Company (the “**3rd Instalment**”). Upon payment of the 3rd Instalment, the Company will transfer the remaining 49.2% of the entire issued share capital of each of the Target Companies to the Purchaser.

The Consideration was arrived at after arm’s length negotiations between the Company and the Purchaser and was determined with reference to a preliminary valuation report on the Target Group prepared under market approach by an independent valuer. The preliminary valuation of the Target Group is approximately RMB1,250 million as at 31 March 2020.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the Purchaser and the Company having obtained all necessary approval, consents, notices, registration and licence required under applicable laws and regulations and other agreements or contracts in relation to the Agreement;
- (b) the Independent Shareholders having passed the resolutions approving the Agreement and the transactions contemplated thereunder at the SGM; and
- (c) 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 Target Group in connection with the Agreement and 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. Upon which, 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 fifth 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 TARGET COMPANIES

The Target Companies comprise Magician Investments, Magician Strategic and Wealthy Honor all of which were incorporated with limited liability in BVI and are investment holding companies. The Company is the legal and beneficial owner of the entire issued share capital of each of the Target Companies as at the date of this announcement.

The Target Group is principally engaged in manufacturing and trading of plastic and metallic household products, operation of supermarkets and wholesale of beverage and electrical appliances.

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 2018 and 2019 respectively:

	For the year ended 31 March 2019 (unaudited) (RMB\$'000)	For the year ended 31 March 2018 (unaudited) (RMB\$'000)
Net profit before taxation	62,849	496
Net profit/(loss) after taxation	33,700	(4,676)

The unaudited combined net asset value of the Target Group was approximately RMB1,209 million as at 31 March 2020.

INFORMATION ON THE PURCHASER

Mr. Li is an executive director and the controlling shareholder of the Company.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Companies 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. Each of the Target Companies will be treated as associate and their results will be equity accounted for in the Group's accounts after the first transfer. The Group will not hold any interest in the Target Companies after completion of the second transfer.

The unaudited gain expected to be derived from the Disposal is approximately RMB32 million, representing the difference between the amount of Consideration and the unaudited combined net asset value of the Target Group as at 31 March 2020 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 at the respective dates of transfers.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

Based on the 2019 interim report of the Company, the Group recorded an indebtedness (including but not limited to bank and other loans and promissory note) in the amount of approximately RMB2,485.6 million as at 30 September 2019, of which RMB1,858.2 million is repayable within one year or on demand and a cash or cash equivalents of approximately RMB137.7 million as at 30 September 2019. The Board considers that the Disposal represents a good opportunity for the Group to realise a disposal gain and provides the Group with an immediate cash inflow for settling its indebtedness and strengthening the Group's liquidity and financial position.

The Board also considers that the Disposal represents a business strategy adopted by the Group to address or mitigate the effect caused by the challenging global economic climate and uncertain business environment amid the COVID-19 outbreak and the intensified tension caused by the ongoing trade issues between the United States and the PRC.

The estimated net proceeds from the Disposal (after deduction of professional fees and other related expenses) is approximately RMB1,200 million, which is expected to be used for (1) repayment of debts; (2) potential investments; and (3) general working capital purpose.

Having taken into account the above factors, the Directors (excluding the independent non-executive Directors whose opinions will set out in the letter from the Independent Board Committee to be included in the circular) 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. Mr. Li, who is an executive director and the controlling shareholder of the Company, has abstained from voting on the Board resolutions approving the Agreement and the transactions, including but not limited to the Disposal, contemplated thereunder.

IMPLICATIONS OF THE LISTING RULES

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.

Furthermore, Mr. Li, an executive director and the controlling shareholder of the Company, (i) owns the entire issued share capital of Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited, each of which in turn holds 1,382,141,014 Shares and 1,355,174,666 Shares, and (ii) personally holds 17,822,000 Shares, which in aggregate represent approximately 34.25% of the total issued share of the Company. Mr. Li is therefore a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions, including but not limited to the Disposal, contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole and on how to vote. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

GENERAL

The SGM will be convened and held for the Independent 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.

At the SGM, any Shareholder with a material interest in the Agreement and the transactions, including but not limited to the Disposal, contemplated thereunder is required to abstain from voting on the resolution to be put forward to the Independent Shareholders for approving the Agreement and transactions contemplated thereunder. Mr. Li, Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited and their respective associates will abstain from voting on such resolution at the SGM.

A circular containing, among other things, (i) further details of the Agreement and the Disposal; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the SGM and a form of proxy, are expected to be despatched to the Shareholders on or before 18 June 2020.

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. The 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 28 May 2020
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Days”	means 9:00 a.m. to 5:00 p.m. on 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 fifth Business Day following the conditions precedent to Completion are fulfilled
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate sum of RMB1,250 million or equivalent HK\$1,350 million to be paid by the Purchaser to the Company for the Disposal
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“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 Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. He Chengying, Mr Cheung Kiu Cho Vincent, Mr. Shin Yick Fabian and Mr. Kwong Kwan Tong, to advise the Independent Shareholders on the Agreement and the transaction, including but not limited to the Disposal, contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than Mr. Li, Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited, together with their respective associates (if any) who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreement and the transactions, including but not limited to the Disposal, contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 December 2020 or such other date as the parties to the Agreement may agree in writing
“Magician Investments”	Magician Investments (BVI) Limited, a company incorporated in the BVI with limited liability
“Magician Investments Group”	Magician Investments and its subsidiaries
“Magician Strategic”	Magician Strategic Limited, a company incorporated in the BVI with limited liability
“Magician Strategic Group”	Magician Strategic and its subsidiaries
“Mr. Li”	Mr. Li Lixin, an executive Director and a controlling shareholder of the Company
“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
“Purchaser”	Mr. Li or his nominee
“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 Companies”	Magician Investments, Magician Strategic and Wealthy Honor Holdings Limited, all are companies incorporated in the BVI with limited liability

“Target Group”	Magician Investments Group, Magician Strategic Group and Wealthy Honor Group
“Wealthy Honor”	Wealthy Honor Holdings Limited, a company incorporated in the BVI with limited liability
“Wealthy Honor Group”	Wealthy Honor and its subsidiaries
“%”	per cent.

By order of the Board
CHINA AUTOMOBILE NEW RETAIL (HOLDINGS) LIMITED
Tong Shiping
Chairman

Hong Kong, 28 May 2020

As at the date of this announcement, the Board comprises Mr Tong Shiping (Chairman and Chief Executive Officer), Mr Li Lixin, Mr Cheng Jianhe and Ms Jin Yaxue being executive Directors, Ms Cheng Weihong being non-executive Director, Mr He Chengying, Mr Cheung Kiu Cho Vincent, Mr Shin Yick Fabian and Mr Kwong Kwan Tong being independent non-executive Directors.