

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **MAJOR TRANSACTION ACQUISITION OF STARCHASE MOTORSPORTS LIMITED**

#### **THE ACQUISITION AGREEMENT**

The Board is pleased to announce that on 13 December 2021, the Company (as purchaser) and the Seller entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire all issued shares of StarChase Motorsports Limited for a total cash consideration of RMB3,700,000,000 (less any Completion Shortfalls), subject to the terms and conditions of the Acquisition Agreement.

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

The Proposed Acquisition is in line with the Group's operational strategy of efficiency enhancement. It will significantly increase the Group's new car sale and expand the Group's existing customer coverage. The Proposed Acquisition will strengthen the Group's market position in Porsche brand in the PRC, which the Directors believe will benefit from the transformation changes in automobile industry. The Proposed Acquisition is also in line with the Group's expansion strategy, the dealership network of the Target Group will complement the Group's existing network and give rise to synergy effects. In view of the aforesaid, 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 25% but all of them are less than 100%, the Proposed Acquisition constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## GENERAL

As no Shareholder has material interest in the Acquisition Agreement and the transaction contemplated thereunder, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition Agreement and the transaction contemplated thereunder. The Company has obtained a written approval from Apex Sail, which, as at the date of this announcement, held 702,712,000 Shares (representing approximately 56.31% of the issued share capital of the Company) for the approval of the Acquisition Agreement and the transaction contemplated thereunder in lieu of a resolution to be passed at a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As such, no extraordinary general meeting will be convened by the Company to approve the Acquisition Agreement and the transaction contemplated thereunder.

A circular containing, among other things, (i) further details of the Proposed Acquisition; (ii) financial information of the Target Group; and (iii) unaudited pro forma financial information of the Enlarged Group, is expected to be despatched to the Shareholders on or before 31 March 2022 as additional time is required for the Company to finalise certain information to be disclosed in the Circular.

**Completion of the Proposed Acquisition is subject to, among other things, satisfaction or waiver of the conditions 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 Board is pleased to announce that on 13 December 2021, the Company (as purchaser) and the Seller entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire all issued shares of StarChase Motorsports Limited for a total cash consideration of RMB3,700,000,000 (less any Completion Shortfalls), subject to the terms and conditions of the Acquisition Agreement.

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

**Date:**

13 December 2021

**Parties:**

- (1) Wearnes-StarChase Limited (the Seller)
- (2) The Company (as purchaser)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its 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:**

All issued shares of the Target Company free from any encumbrance and together with all rights and benefits attached to them at the date of Completion or subsequently becoming attached to them.

**Consideration:**

The Consideration is RMB3,700,000,000 (less any Completion Shortfalls). The Consideration will be settled in cash according to the following schedule pursuant to the Acquisition Agreement:

1. a Deposit in the amount of RMB350,000,000 shall be payable to the Seller on the date of the Acquisition Agreement;
2. a part payment of RMB2,950,000,000 shall be payable to the Seller on the date of Completion; and
3. an amount of RMB400,000,000 less any Completion Shortfalls shall be payable to the Seller within five (5) Business Days after the final determination of the Completion Shortfalls pursuant to the Acquisition Agreement.

The Consideration was arrived at after arm's length negotiation between the Company and the Seller with reference to, among other things, (i) potential managerial, operational and financial synergies between the Group and the Target Group; (ii) enhancement of the Group's brand portfolio, particularly premium automobile brands; (iii) the geographical span and size of the business operation carried out by the Target Group; and (iv) historical financial results and performance of the Target Group.

The Company intends to satisfy the Consideration with internal resources, bank borrowings, debt and/or equity fund raising and/or other means. The Company has been consistently generating strong cash flows from operations and benefit from a robust balance sheet with minimal financial leverage, which set the solid stage to support our growth strategy. In addition, the Company has access to a number of funding sources, both onshore in the PRC or offshore. As the Company has done in the past, the Company will continue to evaluate our capital position and funding sources from time to time as the Company deems appropriate to drive future growth and balance sheet efficiency.

**Completion Statement:**

Within one month after the Completion Date, the Seller shall prepare and deliver to the Company a draft Completion Statement containing its proposed calculations of the unaudited balance sheet of the Target Group as at the close of business of Completion Date.

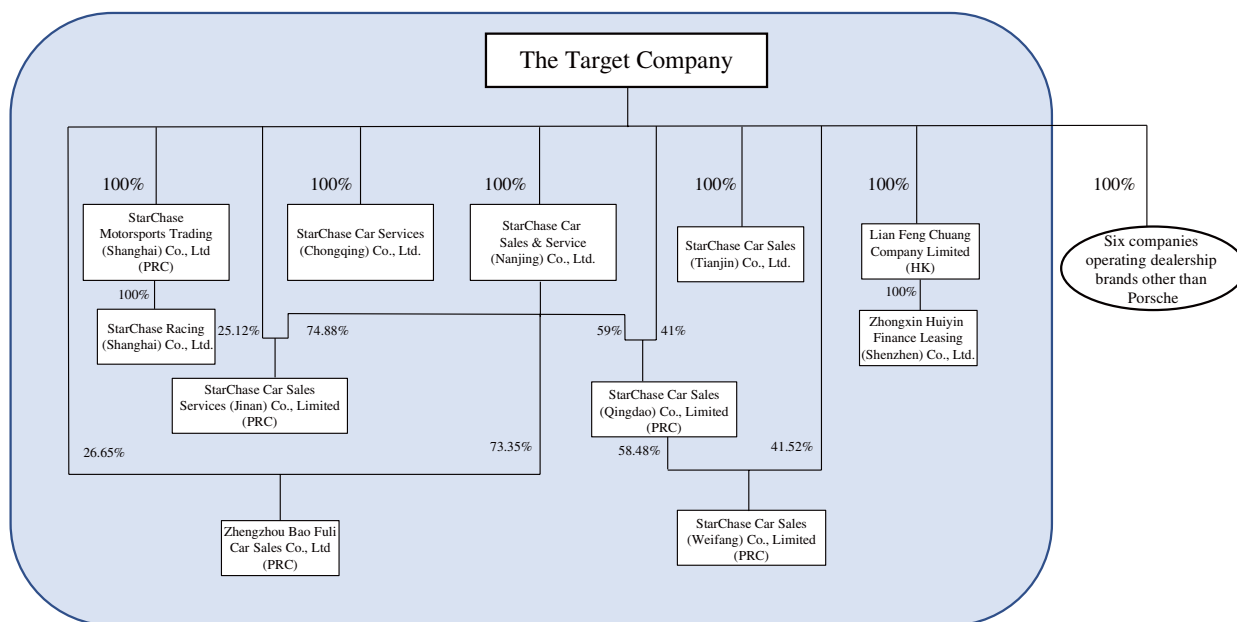
After the Seller's delivery of such draft Completion Statement, the Seller shall procure the Seller's accountants to, and the Company shall procure the Company's accountants to (i) review and verify the draft Completion Statement; (ii) give reasonable details of any disagreement and the adjustments which, in the opinion of the Seller's accountant or the Company's accountants (as applicable), should be made; and (iii) discuss any of such disagreement in order to seek to agree on any adjustments to the draft Completion Statement acceptable to both parties on a fair and amicable basis.

The Company shall, within two months after receipt of the draft Completion Statement, confirm with the Seller in writing whether or not it agrees with the draft Completion Statement (including the calculation of the Completion Shortfalls pursuant thereto), taking into any adjustments agreed upon between the Seller's accountants and the Company's accountants pursuant to the provisions in the Acquisition Agreement.

If the Company and the Seller are unable to reach an agreement on the amount of Completion Shortfalls calculated pursuant to the draft Completion Statement within two months after the Company's receipt of the draft Completion Statement, either party is entitled to refer the matter to the expert accountant for determination. Save in the case of fraud or manifest error, the decision of the expert accountant shall be final and binding upon the Seller and the Company.

## Restructuring:

The following chart shows the corporate and shareholding structure of the Target Group at the time as at the date of the Acquisition Agreement:



The Target Group

As at the date of the Acquisition Agreement, the Target Group had dealership brands other than Porsche, the companies operating these other dealership brands were not intended to be acquired by the Group and will be carved out of the Target Group under the Restructuring.

Pursuant to the Acquisition Agreement, the Seller is required to, before the completion of the Proposed Acquisition, perform the Restructuring, under which six companies would be disposed of and excluded from the Target Group. The Corporate Restructuring shall be completed within 12 weeks from the date of the Acquisition Agreement (or such later date as the Seller and the Company may agree in writing) and the Ancillary Restructuring shall be completed before Completion. Except for when Completion does not occur pursuant to the Acquisition Agreement due to the default on the part of the Company, all taxes and losses resulted from Restructuring or caused or to be caused to the Target Group arising in connection with the Restructuring shall be borne by Seller (not by any of the Target Group and/or Target Group's shareholders, directors, officers or employees) or be reimbursed by the Seller to the Target Group concerned. In the event where Completion does not take place due to the default on the part of the Company, the Company shall reimburse the Seller on a dollar-to-dollar basis for all such losses and taxes actually paid by the Seller provided that such losses and taxes to be reimbursed by the Company shall be no more than RMB20,000,000.

## **Conditions precedents:**

Completion is conditional on the following conditions being satisfied (or duly waived by the Company at its sole discretion in writing after 12 weeks from the date of the Acquisition Agreement), on or before the Condition Deadline:

- (1) Porsche (China) Motors Ltd (保時捷 (中國) 汽車銷售有限公司) having consented to or expressed no objection in writing to the Proposed Acquisition;
- (2) necessary merger control filing and notification in respect of the Proposed Acquisition having been made to the PRC Anti-Monopoly Bureau and all approvals, consents, or clearances necessary for Completion having been duly obtained from the PRC Anti-Monopoly Bureau;
- (3) the Company having despatched a shareholders' circular in respect of the Acquisition Agreement and the transactions contemplated therein, if required and in accordance with the Listing Rules; and
- (4) the Corporate Restructuring being completed in twelve weeks from the date of the Acquisition Agreement.

If any of the above conditions is not satisfied or waived in accordance with the Acquisition Agreement on the Condition Deadline, then:

- (i) subject to the Company and the Purchaser mutually agree in writing, the Condition Deadline shall be extended to a later date; or
- (ii) in the absence of the mutual agreement under the Acquisition Agreement, the obligation to Completion shall terminate on the Condition Deadline.

## **Completion:**

Upon all conditions being satisfied or waived in accordance with the Acquisition Agreement before the Condition Deadline, the Seller shall, or procure its solicitors to, timely initiate and follow up with the stamping procedure for the Proposed Acquisition in accordance with the terms of the Acquisition Agreement.

Completion shall take place on the fifth Business Day after the Business Day on which the Seller has notified the Company that the Stamp Office of the Inland Revenue Department of Hong Kong has released to the Seller the duly stamped instrument of transfer and bought and sold notes in relation to the Proposed Acquisition, but if such date does not fall on the last Business Day of a month, the Completion Date shall be the last Business Day of the month or at such other date or time as the Seller and the Company may agree in writing.

If Completion does not take place on or before the Completion Deadline, the Acquisition Agreement shall be terminated on the Completion Deadline in accordance with the terms of the Acquisition Agreement.

**Refund of Deposit and Pre-paid stamp duty:**

If the Acquisition Agreement is terminated because the Seller fails to:

- (1) perform any of its obligations in relation to certain stamping and completion handover stipulated under the Acquisition Agreement before the Completion Deadline while the Company has duly performed its obligations stipulated under the Acquisition Agreement in relation to certain document provision; or
- (2) procure the completion of the Corporate Restructuring in 12 weeks from the date of the Acquisition Agreement (or such later date as the Seller and the Company may agree in writing);

then the Deposit and the estimated stamp duty in the amount of RMB10,000,000 pre-paid on the date of the Acquisition Agreement by the Company to the Seller shall be refunded to the Company by the Seller in five Business Days after such termination.

**INFORMATION OF THE TARGET COMPANY**

The Target Company is incorporated in Hong Kong with limited liability.

The Target Group is an automobile dealership group in the PRC and operates Porsche automobile brand. It has 7 4S dealership stores, 4 showrooms and 3 service points, totalling 14 points, in seven cities of in the PRC, namely, Nanjing, Qingdao, Tianjin, Chongqing, Weifang, Jinan and Zhengzhou. Each of the Target Group's dealership store is a 4S dealership store that integrates four principal automobile-related businesses, i.e. sales, spare parts, service and survey. It offers a broad range of sales and services, including (i) sales of new automobiles, (ii) after-sales services, which include maintenance and repair services and sales of spare parts and accessories, and (iii) automobile agency services, which include automobile financing, insurance and registration agency services.

Set forth below is the unaudited combined financial information of the Target Group for the two years ended 31 December 2020 and nine months ended 30 September 2021 extracted from the management information provided by the Seller to the Company:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the nine months ended 30 September 2021
Revenue	RMB5,140,035,000	RMB5,728,982,000	RMB4,748,198,000
Total number of new and used cars sold	6,545	7,113	5,786
Net profit before tax and extraordinary items	RMB148,110,000	RMB260,134,000	RMB264,064,000
Net profit after tax and extraordinary items	RMB103,629,000	RMB190,990,000	RMB198,715,000
	<b>As of</b>	<b>As of</b>	<b>As of</b>
	<b>31 December 2019</b>	<b>31 December 2020</b>	<b>30 September 2021</b>
Total assets	RMB1,902,198,000	RMB2,337,547,000	RMB2,395,326,000
Total current liabilities	RMB1,326,553,000	RMB1,655,611,000	RMB1,549,429,000
Total non-current liabilities	RMB126,929,000	RMB149,486,000	RMB189,038,000
Net assets	RMB448,716,000	RMB532,450,000	RMB656,859,000

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

## **INFORMATION OF THE SELLER**

The Seller is a company incorporated in Singapore with limited liability. Based on the information available to the Company, the Seller is ultimately owned by Mr. Yaw Chee Ming as to 65%. The Seller is an investment holding company 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.



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

The Proposed Acquisition is in line with the Group's operational strategy of efficiency enhancement. It will significantly increase the Group's new car sale and expand the Group's existing customer coverage. The Proposed Acquisition will strengthen the Group's market position in Porsche brand in the PRC, which the Directors believe will benefit from the transformation changes in automobile industry. The Proposed Acquisition is also in line with the Group's expansion strategy, the dealership network of the Target Group will complement the Group's existing network and give rise to synergy effects.

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 25% but all of them are less than 100%, the Proposed Acquisition constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

As no Shareholder has material interest in the Acquisition Agreement and the transaction contemplated thereunder, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition Agreement and the transaction contemplated thereunder. The Company has obtained a written approval from Apex Sail, which, as at the date of this announcement, held 702,712,000 Shares (representing approximately 56.31% of the issued share capital of the Company) for the approval of the Acquisition Agreement and the transaction contemplated thereunder in lieu of a resolution to be passed at a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules. As such, no extraordinary general meeting will be convened by the Company to approve the Acquisition Agreement and the transaction contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Acquisition and therefore no Shareholder is required to abstain from voting on the resolution to approve the Proposed Acquisition at the EGM.

A circular containing, among other things, (i) further details of the Proposed Acquisition; (ii) financial information of the Target Group; and (iii) unaudited pro forma financial information of the Enlarged Group, is expected to be despatched to the Shareholders on or before 31 March 2022 as additional time is required for the Company to finalise certain information to be disclosed in the Circular.

**Completion of the Proposed Acquisition is subject to, among other things, satisfaction or waiver of the conditions 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 sale and purchase agreement dated 13 December 2021 entered into between the Company (as purchaser) and the Seller in relation to the Proposed Acquisition
“Ancillary Restructuring”	the actions to be performed by the Seller ancillary to Corporate Restructuring in accordance with the restructuring plan set out in the Acquisition Agreement
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong, Singapore and the PRC
“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

“Completion Deadline”	<p>4 p.m. of the first Business Day after the expiry of, whichever is earlier,</p> <ul style="list-style-type: none"> <li>(i) eight months and one weeks from the date of the Acquisition Agreement, or</li> <li>(ii) the expiry of three months from the fifth Business Day after the Business Day on which the Company has informed the Seller about the satisfaction and/or waiver of all the conditions precedent under the Acquisition Agreement (or such other date as the Seller and the Company may mutually agree in writing),</li> </ul> <p>or such later date as the Seller and the Company may agree in writing</p>
“Completion Shortfalls”	<p>the deduction from the Consideration of the amount of the shortfall in (1) the agreed minimum balance of cash and net working capital of the Target Group as at the Completion Date, or (2) the agreed minimum net asset value of the Target Group as at the Completion Date, whichever is higher, to be calculated in accordance with the provisions in the Acquisition Agreement and agreed by the Seller and the Company, or to be determined by an expert accountant pursuant to the provisions in the Acquisition Agreement</p>
“Completion Statement”	<p>the unaudited consolidated statements of the Target Group’s financial position that will be prepared in accordance with the provisions in the Acquisition Agreement for the purpose of determining the Completion Shortfalls</p>
“Condition Deadline”	<p>5 p.m. on the first Business Day after the expiry of five months and one week from the date of the Acquisition Agreement (or such later date as the Seller and the Company may agree in writing)</p>
“Corporate Restructuring”	<p>the corporate restructuring to be procured by the Seller to be completed by the Company in accordance with the restructuring plan set out in with the Acquisition Agreement under which six companies would be disposed of and excluded from the Target Group</p>

“Consideration”	the consideration for the Proposed Acquisition, being RMB3,700,000,000 less any Completion Shortfalls
“Deposit”	RMB350,000,000
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Proposed Acquisition
“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 all issued shares of the Target Company by the Company from the Seller, on terms and subject to the conditions set out in the Acquisition Agreement
“Restructuring”	Corporate Restructuring and Ancillary Restructuring
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Wearnes-StarChase Limited, a company incorporated in Singapore with limited liability
“Share(s)”	ordinary share(s) 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”	StarChase Motorsports Limited, a company incorporated under the laws of Hong Kong with limited liability
“Target Group”	The Target Company and its subsidiaries (immediately after Corporate Restructuring)
“%”	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, 13 December 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