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BAOXIN AUTO GROUP LIMITED

寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1293)

(1) CONTINUING CONNECTED TRANSACTIONS — PROPERTY LEASE AGREEMENT AND FINANCE LEASE FRAMEWORK AGREEMENT (2) APPOINTMENT AND RESIGNATION OF DIRECTORS

PROPERTY LEASE AGREEMENT

The Board is pleased to announce that on 6 July 2016, Shanghai Kailong, an indirectly wholly owned subsidiary of the Company, and Guanghui Limited, a wholly owned subsidiary of CGA, entered into the Property Lease Agreement pursuant to which Shanghai Kailong agreed to lease certain properties of the Group to Guanghui Limited for office use for a term of three years which commenced on 1 July 2016 and will expire on 30 June 2019.

FINANCE LEASE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 29 July 2016, the Company and All Trust Leasing, an indirectly wholly owned subsidiary of CGA, entered into the Finance Lease Framework Agreement pursuant to which members of the Group will engage in Vehicle Sales Transactions and Service Transactions with All Trust Leasing. The term of the Finance Lease Framework Agreement commenced on 29 July 2016 and will expire on 31 December 2018.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGA, through its indirectly wholly owned subsidiary China Grand Auto, holds approximately 75% of the shares in the Company, and it is therefore a controlling shareholder of the Company. Guanghui Limited and All Trust Leasing are wholly owned subsidiaries of CGA, and they are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Lease Agreement and the Finance Lease Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Property Lease Agreement is less than 0.1%, the Property Lease Agreement itself is fully exempt under the Listing Rules. However, as the applicable percentage ratios for the Property Lease Agreement and the Finance Lease Framework Agreement in aggregate are more than 0.1% but less than 5%, the Property Lease Agreement and the Finance Lease Framework Agreement are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPOINTMENT AND RESIGNATION OF DIRECTORS

The Board is pleased to announce that with effect from 29 July 2016:

1. Mr. Zhao Hongliang (“**Mr. Zhao**”) has resigned as an executive Director of the Company; and
2. Mr. Qi Junjie (“**Mr. Qi**”) has been appointed as an executive Director of the Company.

PROPERTY LEASE AGREEMENT

The key terms of the Property Lease Agreement are summarized as follows:

Date

6 July 2016

Parties

- (1) Shanghai Kailong as the lessor
- (2) Guanghui Limited as the lessee

Principal terms

Pursuant to the Property Lease Agreement, Shanghai Kailong will lease to Guanghui Limited part of the sixth and seventh floors of a building located at No. 3998 Hongxin Road, Minhang District, Shanghai, PRC with a total floor area of 4,000 square metres for office use.

Pricing

The monthly rental for the lease premises under the Property Lease Agreement is RMB256,000, which is payable five days before the commencement of each month. During the term of the Property Lease Agreement, utility bills for water, electricity, gas, communication, cable television and management fees incurred in connection with the lease premises under the Property Lease Agreement shall be borne by Guanghui Limited.

The rental under the Property Lease Agreement is determined on a cost basis. The leased premises under the Property Lease Agreement are part of the premises leased by Shanghai Kailong from independent third parties who are not connected with the Company or its connected person (the “**Head Lease**”), and the rental payable by Guanghui Limited under the Property Lease Agreement reflect the same level of rental that Shanghai Kailong is obliged to pay under the Head Lease (after taking into account the size of the area of the subject property under the Property Lease Agreement).

Term and termination

The term of the Property Lease Agreement commenced on 1 July 2016 and will expire on 30 June 2019.

The Property Lease Agreement may be terminated before the expiry of its term upon the occurrence of (i) the land use rights of the leased premises under the Property Lease Agreement being legally withdrawn; (ii) the leased premises being legally expropriated on account of public interest; (iii) the leased premises being legally designated to be within the dismantlement permit area due to municipal construction needs; (iv) the leased premises being subject to destruction or total loss or being appraised as dangerous; or (v) the leased premises being subject to legal enforcement provided that Shanghai Kailong has informed Guanghui Limited that the leased premises are subject to mortgage prior to the commencement of the lease term.

Annual caps

Set out below is a summary of the annual caps for the rental and the additional charges payable by Guanghui Limited to Shanghai Kailong for each of the financial years ending 31 December 2016, 2017 and 2018:

2016	2,000,000
2017	3,800,000
2018	4,000,000

Unit: RMB

The annual caps were determined by the Company after taking into account, amongst other things, (i) the monthly rental payment as agreed in the Property Lease Agreement; (ii) utility bills and management fees payable in connection with the Property Lease Agreement; and (iii) a buffer for potential adjustments to the rental payable under the Head Lease.

FINANCE LEASE FRAMEWORK AGREEMENT

The key terms of the Finance Lease Framework Agreement are summarized as follows:

Date

29 July 2016

Parties

- (1) All Trust Leasing
- (2) The Company

Principal terms

In accordance with the instructions of lessees of passenger vehicles, All Trust Leasing agree to purchase, and the relevant members of the Group agree to sell, passenger vehicles (the “**Vehicle Sales Transactions**”). The relevant members of the Group shall provide the following services to All Trust Leasing: (i) promoting All Trust Leasing’s finance leasing products to the Group’s customers; and (ii) providing information in relation to the lessees of passenger vehicles and passenger vehicles purchased by All Trust Leasing (including but not limited to the vehicles’ maintenance and repair information) (the “**Service Transactions**”).

All Trust Leasing and the relevant members of the Group will enter into specific individual implementation agreements from time to time. Each implementation agreement will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms. The terms of each implementation agreement will be in line with the terms of the Finance Lease Framework Agreement.

Pricing

As a general principal, the price to be paid by All Trust Leasing to the relevant members of the Group shall be no less favourable to the Group than terms available from independent third parties.

With respect to the Vehicle Sales Transactions, the price to be paid by All Trust Leasing shall be the price of the passenger vehicles that the lessees have agreed with relevant members of the Group based on the manufacturer’s suggested retail price and market conditions.

With respect to the Service Transactions, the price to be paid by All Trust Leasing shall be commissions calculated by All Trust Leasing based on the amount of financing and the lease terms. The formula for the calculation of such commissions is determined by All Trust Leasing and adjusted from time to time based on market conditions but shall be the same as the formula used to calculate commissions when All Trust Leasing work with independent third party dealerships. The Group will conduct regular checks to review the formula used to calculate commissions in connection with the Service Transactions to ensure that

commissions received from All Trust Leasing shall be no less favorable to the Group than commissions that the Group would be entitled to receive from other automobile finance companies for similar transactions.

Term and termination

The Finance Lease Framework Agreement commenced on 29 July 2016 and will expire on 31 December 2018.

If either party to the Finance Lease Framework Agreement commits any material breach, the innocent party may terminate the Finance Lease Framework Agreement by notice, provided that the party in breach has not remedied such breach within a reasonable period set out in the notice.

Annual caps

Set out below is a summary of the annual caps for price payable by All Trust Leasing to the Group for each of the financial years ending 31 December 2016, 2017 and 2018:

	Vehicle Sales Transactions	Service Transactions	Total
			<i>Unit: RMB</i>
2016	118,800,000	420,000	119,220,000
2017	316,800,000	1,440,000	318,240,000
2018	356,400,000	1,605,000	358,005,000

The annual caps were determined by the Company after taking into account, amongst other things, (i) the estimated supply and demand of the Group's products and the Group's business plans; and (ii) the prevailing market price of the Group's products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASE AGREEMENT AND THE FINANCE LEASE FRAMEWORK AGREEMENT

By entering into the Property Lease Agreement, the Company will be able to earn a stable rental income and therefore better utilise the Group's properties. It will improve the efficiency of the Group's operations and contribute to the long term development of the Company.

By entering into the Finance Lease Framework Agreement, the Group will be able to provide additional financing products to the Group's customers therefore better serve the customers' needs. The Group will also receive commission income under the Finance Lease Framework Agreement. The entry into of the Finance Lease Framework Agreement will further develop the vehicle value-added services business of the Group.

INFORMATION ON GUANGHUI LIMITED

Guanghui Limited is a company established under the laws of the PRC and is a wholly-owned subsidiary of CGA. Guanghui Limited is principally engaged in the sale and service of motor vehicles.

INFORMATION ON SHANGHAI KAILONG

Shanghai Kailong is a company established under the laws of the PRC and is an indirectly wholly-owned subsidiary of the Company. Shanghai Kailong is principally engaged in the sale and service of motor vehicles.

INFORMATION ON ALL TRUST LEASING

All Trust Leasing is a company established under the laws of the PRC and is an indirectly wholly-owned subsidiary of CGA. All Trust Leasing is principally engaged in the automobile finance leasing business in the PRC.

INFORMATION ON THE GROUP

The Group is a leading luxury 4S dealership group in the PRC and is principally engaged in the sale and service of motor vehicles.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGA, through its indirectly wholly owned subsidiary China Grand Auto, holds approximately 75% of the shares in the Company, and it is therefore a controlling shareholder of the Company. Guanghai Limited and All Trust Leasing are wholly owned subsidiaries of CGA, and they are therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Property Lease Agreement and the Finance Lease Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Property Lease Agreement is less than 0.1%, the Property Lease Agreement itself is fully exempt under the Listing Rules. However, as the applicable percentage ratios for the Property Lease Agreement and the Finance Lease Framework Agreement in aggregate are more than 0.1% but less than 5%, the Property Lease Agreement and the Finance Lease Framework Agreement are subject to the reporting and announcement requirements, but are exempt from the circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the chairman of the Company, Mr. Li Jianping (chairman of the board of CGA), Mr. Wang Xinming (a director and the president of CGA), Mr. Lu Ao (a vice president and chief financial officer of CGA), Mr. Zhou Yu (a vice president of CGA) all serve at CGA, they have abstained from voting on the Board's resolution for approving the Property Lease Agreement and the Finance Lease Framework Agreement. Save as disclosed above, there are no other Directors who have any material interest in the Property Lease Agreement and the Finance Lease Framework Agreement and no other Directors need to abstain from voting on the Board resolution for considering and approving the Property Lease Agreement and the Finance Lease Framework Agreement.

The Directors (including independent non-executive Directors) are of the view that the Property Lease Agreement and the Finance Lease Framework Agreement have been entered into on normal commercial terms, is fair and reasonable, and is in the interests of the Company and its shareholders as a whole. When the Board approved the resolutions in relation to the Property Lease Agreement and the Finance Lease Framework Agreement, certain Directors who have material interests in the Property Lease Agreement and the Finance Lease Framework Agreement have abstained from voting.

APPOINTMENT AND RESIGNATION OF DIRECTORS

Resignation of Director

Mr. Zhao has resigned as an executive Director of the Company.

Mr. Zhao has confirmed that the reason for his resignation is to restore the public float of the Company. After the resignation of Mr. Zhao, he will cease to be a core connected person (as defined in Chapter 1 of the Listing Rules) of the Company for the purpose of the Company's compliance with the public float requirement under Rule 8.08 of the Listing Rules and 4,128,631 shares of the Company (representing approximately 0.16% of the issued share capital of the Company) held by Mr. Zhao will be counted towards the public float. Mr. Zhao has confirmed that he has no disagreement with the Board and that there are no matters relating to his resignations that need to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to thank Mr. Zhao for his valuable contributions to the Company during his term of office.

Appointment of Director

Mr. Qi has been appointed as an executive Director of the Company. Pursuant to Article 16.2 of the articles of association of the Company (the “**Articles of Association**”), Mr. Qi will hold office until the next annual general meeting of the Company after his appointment and will be eligible for re-election in such meeting.

Mr. Qi Junjie (戚俊傑), aged 43, has been the secretary of the party committee of CGA since May 2016 and was the chairman of the board of Xinjiang Guanghui Liquefied Natural Gas Development Co., Ltd. (新疆廣匯液化天然氣發展有限責任公司) from September 2015 to July 2016. Mr. Qi has been a director of Xinjiang Guanghui Energy Company Limited (新疆廣匯能源股份有限公司) since October 2015. Mr. Qi served as the deputy county chief and deputy secretary of Xinjiang Jimunai County (新疆吉木乃縣) and the director of the National Border Co-operative District (國家邊境合作區) from July 2008 to September 2014. Mr. Qi was an official of the Forest Bureau of Xinjiang Aletai District (新疆阿勒泰地區林業局) from July 1994 to July 2008.

Mr. Qi obtained a master degree in botanical architecture specialty from Xinjiang Agricultural University (新疆農業大學) in July 1997 and obtained a bachelor's degree in plant protection specialty from Xinjiang Agricultural University (新疆農業大學) in July 1994.

Save as disclosed above, (i) Mr. Qi has not held any directorship in any other listed company in the last three years; and (ii) Mr. Qi has not held any other position with the Company or any of its subsidiaries, and does not have any relationship with any Director, senior management, substantial or controlling shareholders of the Company.

As of the date of this announcement, Mr. Qi does not have any interest (nor any short position) in the securities or underlying securities in the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Qi has entered into a service contract with the Company dated 29 July 2016 in relation to his appointment as an executive Director of the Company for a term of three years with effect from 29 July 2016. His appointment shall be subject to retirement by rotation and re-election of the Company in accordance with the Articles of Association. Mr. Qi will be entitled to an annual remuneration of RMB800,000. Mr. Qi will also be entitled to a discretionary bonus to be determined by the Board or the shareholders of the Company at general meeting of the Company. All of the above remunerations were determined with reference to the duties and responsibilities of Mr. Qi with the Company, the Company's performance and the prevailing market condition.

Save as disclosed above, there is no other information required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules (particularly in relation to subparagraphs (h) to (v) therein) nor are there other matters that need to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to welcome Mr. Qi to the Board.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meaning below:

“All Trust Leasing”	All Trust Leasing Company Limited (匯通信誠租賃有限公司), a company established under the laws of the PRC and an indirectly wholly-owned subsidiary of CGA
“Board”	the board of directors of the Company
“CGA”	China Grand Automotive Services, Co., Ltd (廣匯汽車服務股份公司), a company established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297)
“China Grand Auto”	China Grand Automotive Services (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CGA

“Company”	Baoxin Auto Group Limited (寶信汽車集團有限公司) (formerly known as Baoxin Auto Group Ltd.), an exempted company incorporated in the Cayman Islands on 6 September 2010 with limited liability, the ordinary shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1293)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director”	a director of the Company
“Finance Lease Framework Agreement”	the finance lease frame work agreement dated 29 July 2016 between All Trust Leasing and the Company
“Guanghui Limited”	China Grand Automotive Services Co., Ltd. (廣匯汽車服務有限責任公司), a wholly owned subsidiary of CGA
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Property Lease Agreement”	the property lease agreement dated 6 July 2016 between Guanghui Limited and Shanghai Kailong pursuant to which Guanghui Limited leased part of the sixth and seventh floors of a building located at No. 3998 Hongxin Road, Minhang District, Shanghai, PRC from Shanghai Kailong for office use for a term of three years from 1 July 2016 to 30 June 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Kailong”	Shanghai Kailong Automobile Trading Co., Ltd. (上海開隆汽車貿易有限公司), a company established under the laws of the PRC and is an indirectly wholly-owned subsidiary of the Company

“subsidiary”

has the meaning ascribed thereto under the Listing Rules

By order of the Board
Baoxin Auto Group Limited
Mr. Li Jianping
Chairman

The PRC, 29 July 2016

As at the date of this announcement, the executive Directors are Mr. LI Jianping, Mr. WANG Xinming, Mr. LU Ao and Mr. QI Junjie, the non-executive Directors are Mr. ZHOU Yu and Mr. LU Linkui, and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.