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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)

MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

SALE AND LEASEBACK FRAMEWORK AGREEMENT

The Board is pleased to announce that on 24 January 2017 (after trading hours), Dingxin Leasing, a direct wholly-owned subsidiary of the Company, and All Trust Leasing, an indirect wholly-owned subsidiary of CGA, entered into the Sale and Leaseback Framework Agreement.

Pursuant to the Sale and Leaseback Framework Agreement, All Trust Leasing shall sell to Dingxin Leasing vehicles owned by All Trust Leasing, which shall then be leased back for use by All Trust Leasing. Upon expiry of the lease term, All Trust Leasing shall repurchase the leased assets in accordance with the agreed terms.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGA, through its indirect 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. All Trust Leasing is an indirect wholly-owned subsidiary of CGA, and it is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Sale and Leaseback Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios for the Sale and Leaseback Framework Agreement are more than 5%, the Sale and Leaseback Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios for the Sale and Leaseback Framework Agreement is more than 25% but less than 100%, the Sale and Leaseback Framework Agreement and the transactions contemplated thereunder also constitute a major transaction of the Company, and are subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular, containing the details of the Sale and Leaseback Framework Agreement, a letter from the independent board committee and a letter from the independent financial advisor of the Company, both advising on the terms of the Sale and Leaseback Framework Agreement, is expected to be despatched to the shareholders of the Company on or before 24 February 2017 as more time is required for the Company to prepare and finalise the information to be included in the circular.

INTRODUCTION

The Board is pleased to announce that on 24 January 2017 (after trading hours), Dingxin Leasing, a direct wholly-owned subsidiary of the Company, and All Trust Leasing, an indirect wholly-owned subsidiary of CGA, entered into the Sale and Leaseback Framework Agreement.

Pursuant to the Sale and Leaseback Framework Agreement, All Trust Leasing shall sell to Dingxin Leasing vehicles owned by All Trust Leasing, which shall then be leased back for use by All Trust Leasing. Upon expiry of the lease term, All Trust Leasing shall repurchase the leased assets in accordance with the agreed terms.

SALE AND LEASEBACK FRAMEWORK AGREEMENT

The key terms of the Sale and Leaseback Framework Agreement are summarized as follows:

Date

24 January 2017

Parties

- (1) Dingxin Leasing
- (2) All Trust Leasing

Sale and leaseback

All Trust Leasing shall sell to Dingxin Leasing vehicles owned by All Trust Leasing, which shall then be leased back for use by All Trust Leasing.

Upon expiry of the relevant lease term, All Trust Leasing shall repurchase the leased assets in accordance with the agreed terms.

Sale price and lease payments

The lease payments shall be calculated on the basis of the leasing costs and lease interest rates and made on a monthly basis by All Trust Leasing to Dingxin Leasing.

Leasing costs comprise the sale price and handling fees agreed to be included in such leasing costs. The sale price shall reflect the fair market value of the leased assets to be sold by All Trust Leasing to Dingxin Leasing by reference to the remaining principal amount of the leased assets under the existing lease agreements between All Trust Leasing and its customers. The sale price will be funded by Dingxin Leasing's internal resources and its bank loans.

Dingxin Leasing shall gather information on the terms and conditions (including interest rates) offered by third parties in the PRC who are independent of the Company and its connected persons in sale and leaseback transactions of a similar scale and nature so that Dingxin Leasing can ensure that the interest rates applicable to transactions between Dingxin Leasing and All Trust Leasing are the same as or more favorable than those offered by such independent third parties. The parties agree that the lease interest rates shall in any event be equivalent to the benchmark interest rate for RMB term loans as announced for implementation by the People's Bank of China plus 10% or higher.

The annual maximum finance amount, which shall comprise the outstanding principal amount together with the interest that may accrue in respect of the sale and leaseback transactions under the Sale and Leaseback Framework Agreement, shall not exceed the annual caps as set out in "Proposed Annual Caps" in this announcement.

Implementation Agreements

Dingxin Leasing and All Trust Leasing 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 or better. The terms of each implementation agreement will be in line with the terms of the Sale and Leaseback Framework Agreement.

Within five days after the signing of each implementation agreement, All Trust Leasing shall pay to Dingxin Leasing a deposit in the amount of 10% of the finance amount under the relevant implementation agreement, which shall be used to offset default (if any) of payment obligations by All Trust Leasing under the relevant implementation agreement.

During the lease period under each implementation agreement, All Trust Leasing or its designees shall keep the leased assets insured with an insured amount of not less than the total amount of the unpaid lease payments and other payments payable, or the maximum amount that can be insured by an insurance company.

Term and termination

The Sale and Leaseback Framework Agreement shall become effective on the date when it is approved by the independent shareholders of the Company at the general meeting and will expire on 31 December 2019.

If either party to the Sale and Leaseback Framework Agreement commits any material breach, the innocent party may terminate the Sale and Leaseback Framework Agreement by written notice to the party in breach within 15 business days after such material breach is known to the innocent party, provided that the party in breach has not remedied such breach within a reasonable period set out in the notice.

Internal Control Measures

The Company has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Group. Prior to entering into individual implementation agreements under the Sale and Leaseback Framework Agreement, the finance department of Dingxin Leasing will review and assess the specific terms and conditions of the transactions and to compare the lease interest rates with reference to the market conditions and the prices charged or quoted by independent third parties in sale and leaseback transactions of a similar scale and nature. The finance department of the Company will also monitor the sale and leaseback transactions under the Sale and Leaseback Framework Agreement on a regular basis.

The independent non-executive Directors shall review the implementation agreements to ensure that they have been entered into in accordance with the terms of the Sale and Leaseback Framework Agreement.

Proposed annual caps

Set out below is a summary of the proposed annual caps (the “**Annual Caps**”) in respect of the maximum finance amount under the Sale and Leaseback Framework Agreement:

	Total
2017	1,500,000,000
2018	2,500,000,000
2019	3,000,000,000

Unit: RMB

The annual maximum finance amount set out above refers to the sum of the finance amount (less any principal amount and accrued interest repaid in the preceding years). That is, the annual maximum finance amount refers to the outstanding principal amount together with the interest that may accrue in respect of the sale and leaseback transactions under the Sale and Leaseback Framework Agreement.

The annual caps were determined after taking into account, amongst other things, (i) the business plans of Dingxin Leasing; (ii) the expected accumulated principal amount and interest of the sale and leaseback transactions under the Sale and Leaseback Framework Agreement; (iii) the nature, value and expected useful life of the leased assets; (iv) a buffer for potential adjustments to business plans; and (v) the estimated remaining value of All Trust Leasing’s leased assets for each of the years ending 31 December 2017, 2018 and 2019.

Dingxin Leasing has not conducted any sale and leaseback transactions with All Trust Leasing prior to the date of this announcement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND LEASE FRAMEWORK AGREEMENT

By entering into the Sale and Leaseback Framework Agreement, the Group will be able to (i) develop its sale and leaseback finance leasing business by collaborating with All Trust Leasing, which is principally engaged in the automobile finance leasing business in the PRC; and (ii) achieve a reasonable return in the sale and leaseback transactions with All Trust Leasing so that the Group is able to utilise its financial resources in an efficient manner.

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. Qi Junjie (the secretary of the party committee of CGA) and Mr. Zhou Yu (a vice president of CGA) all serve at CGA. They have expressed their views on the Sale and Leaseback Framework Agreement although they have abstained from voting on the Board resolution for considering and approving the Sale and Leaseback Framework Agreement. Save as disclosed above, there are no other Directors who have any material interest in the Sale and Leaseback Framework Agreement and no other Directors need to abstain from voting on the Board resolution for considering and approving the Sale and Leaseback Framework Agreement.

The Directors (excluding the independent non-executive Directors, whose views will be contained in the circular after considering the advice from the independent financial advisor) are of the view that the Sale and Leaseback Framework Agreement has 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.

INFORMATION ON DINGXIN LEASING

Dingxin Leasing is a company established under the laws of the PRC and is a direct wholly-owned subsidiary of the Company. Dingxin Leasing is principally engaged in the finance leasing business in the PRC.

INFORMATION ON ALL TRUST LEASING

All Trust Leasing is a company established under the laws of the PRC and is an indirect 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 indirect 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. All Trust Leasing is an indirect wholly-owned subsidiary of CGA, and it is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Sale and Leaseback Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

An independent board committee comprising the independent non-executive Directors will be formed to advise the independent shareholders of the Company on the terms of the Sale and Leaseback Framework Agreement.

The Company will appoint an independent financial advisor to advise the independent board committee of the Company and the independent shareholders of the Company on the terms of the Sale and Leaseback Framework Agreement.

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 is an indirect 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 is 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
“Dingxin Leasing”	Shanghai Dingxin Financial Leasing Co., Ltd (上海鼎信融資租賃有限公司), a company established under the laws of the PRC and is a direct wholly-owned subsidiary of the Company
“Director”	a director of the Company
“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
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Leaseback
Framework Agreement”

The sale and leaseback framework agreement dated 24
January 2017 between All Trust Leasing and Dingxin
Leasing

“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, 24 January 2017

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.