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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)

CONNECTED TRANSACTION

DISPOSAL OF A 70% EQUITY INTEREST OF WUXI KAILONG REAL ESTATE CO., LTD.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 28 December 2016 (after trading hours), Shanghai Kailong Qimao Hongqiao (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with Guangxi Guanghui, pursuant to which Shanghai Kailong Qimao Hongqiao has agreed to sell, and Guangxi Guanghui has agreed to purchase a 70% equity interest of Wuxi Kailong. The consideration for the Disposal is RMB88,515,000 (equivalent to approximately HK\$99,455,056) in cash.

In addition to the cash consideration, Guangxi Guanghui has agreed to procure Wuxi Kailong to repay the Wuxi Kailong Loan of RMB87,602,500 (equivalent to approximately HK\$98,429,775) to Shanghai Kailong Qimao Hongqiao or its affiliates before 31 December 2016. The actual control over the operation and management of Wuxi Kailong shall be transferred to Guangxi Guanghui on the Date of Transfer of Management Rights, upon which Wuxi Kailong shall cease to be accounted for and consolidated in the audited consolidated accounts of the Group.

After Guangxi Guanghui has paid the cash consideration in full, which shall be no later than 31 March 2017, the transfer of the 70% equity interest of Wuxi Kailong shall be registered at the relevant Administration of Industry and Commerce.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guangxi Guanghui is indirectly owned as to approximately 85% by Guanghui Group, which is the controlling shareholder of CGA. CGA, through its wholly-owned subsidiary China Grand Automotive Services (Hong Kong) Limited, holds approximately 75% of the shares in the Company, and it is therefore a controlling shareholder of the Company. Guangxi Guanghui and Guanghui Group are associates of CGA and therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 28 December 2016 (after trading hours), Shanghai Kailong Qimao Hongqiao (an indirect wholly-owned subsidiary of the Company) entered into the Sale and Purchase Agreement with Guangxi Guanghui, pursuant to which Shanghai Kailong Qimao Hongqiao has agreed to sell, and Guangxi Guanghui has agreed to purchase a 70% equity interest of Wuxi Kailong. The consideration for the Disposal is RMB88,515,000 (equivalent to approximately HK\$99,455,056) in cash.

THE SALE AND PURCHASE AGREEMENT

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

Date

28 December 2016

Parties

Vendor: Shanghai Kailong Qimao Hongqiao

Purchaser: Guangxi Guanghui

Assets to be Disposed of

Pursuant to the Sale and Purchase Agreement, Shanghai Kailong Qimao Hongqiao has agreed to sell, and Guangxi Guanghui has agreed to purchase a 70% equity interest of Wuxi Kailong.

The main assets of Wuxi Kailong comprise:

- (i) land use rights in respect of a parcel of land situated at the northeast of the intersection between Tianfeng Road and Huishan Street, Huishan District, Wuxi, the PRC with a total site area of 35,814.80 square metres, which has been designated for residential property development (the “**Residential Property Assets**”); and
- (ii) land use rights in respect of a parcel of land situated to the west of Qianqiao Street and to the north of Shengan West Road, Huishan District, Wuxi, the PRC with a total site area of 20,969.50 square metres, together with the construction projects located thereon which are intended to be used as a BMW store (the “**BMW Store Related Assets**”).

Pursuant to the Sale and Purchase Agreement, the parties acknowledge and agree that Wuxi Kailong shall cooperate with Shanghai Kailong Qimao Hongqiao and its affiliates to transfer the BMW Store Related Assets back to the Group at nil consideration (the “**BMW Store Related Assets Transfer**”) by 31 March 2017. As Wuxi Kailong will cease to be a subsidiary of the Company and become a connected person of the Company by virtue of being an associate of Guanghui Group, the BMW Store Related Assets Transfer will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. Further announcement(s) will be made by the Company in compliance with the requirements of the Listing Rules.

Consideration

The consideration for the Disposal is RMB88,515,000 (equivalent to approximately HK\$99,455,056) in cash, of which RMB32,400,000 (equivalent to approximately HK\$36,404,494) shall be paid by Guangxi Guanghui to Shanghai Kailong Qimao Hongqiao within three days of the signing of the Sale and Purchase Agreement while the remaining RMB56,115,000 (equivalent to approximately HK\$63,050,562) shall be paid by Guangxi Guanghui to Shanghai Kailong Qimao Hongqiao by no later than 31 March 2017.

In addition to the cash consideration, Guangxi Guanghui has agreed to procure Wuxi Kailong to repay the Wuxi Kailong Loan of RMB87,602,500 (equivalent to approximately HK\$98,429,775) to Shanghai Kailong Qimao Hongqiao or its affiliates before 31 December 2016. The actual control over the operation and management of Wuxi Kailong shall be transferred to Guangxi Guanghui on the Date of Transfer of Management Rights, upon which Wuxi Kailong shall cease to be accounted for and consolidated in the audited consolidated accounts of the Group.

The consideration was determined between Guangxi Guanghui and Shanghai Kailong Qimao Hongqiao after arm's length negotiations with reference to, among others, the audited financial statements of Wuxi Kailong for the nine months ended 30 September 2016 and the appraised value of the entire equity interest of Wuxi Kailong based on the valuation report prepared by an independent valuer in the PRC with assets appraisal qualification for the securities business.

A gain in an amount of approximately RMB30.3 million (equivalent to approximately HK\$34.0 million) is expected to accrue to the Company in accordance with the books and records of the Company.

Completion

After Guangxi Guanghui has paid the cash consideration in full, which shall be no later than 31 March 2017, the transfer of the 70% equity interest of Wuxi Kailong shall be registered at the relevant Administration of Industry and Commerce.

The terms of the Sale and Purchase Agreement are determined after arm's length negotiations between the parties. None of the Directors has a material interest in the Disposal and none of them was required to abstain from voting on the Board's resolution for approving the Sale and Purchase Agreement. The Directors (including independent non-executive Directors) are of the view that the Sale and Purchase 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.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Considering that the Residential Property Assets are not the core assets of the Group, the Directors believe that the Disposal will provide an opportunity to the Company in realizing its non-core assets and streamlining the Group's operations. The proceeds arising from the Disposal will be used as general working capital of the Group.

INFORMATION ON WUXI KAILONG

Wuxi Kailong is a company established under the laws of the PRC and is owned by Shanghai Kailong Qimao Hongqiao as to 80% and Shanghai Kailong Group as to 20% immediately before the Disposal.

Shanghai Kailong Group is a company established under the laws of the PRC and it is controlled by Mr. Yang, who was an executive Director of the Company in the last 12 months preceding the date of this announcement and hence is a connected person of the Company. The Disposal does not involve the 20% shareholding in Wuxi Kailong held by Shanghai Kailong Group.

Based on the audited accounts of Wuxi Kailong, the net asset value of Wuxi Kailong as at 30 September 2016 is approximately RMB69.03 million (equivalent to approximately HK\$77.56 million).

Set out below is the financial information of Wuxi Kailong for the years ended 31 December 2014 and 2015 as extracted from its unaudited management accounts:

	For the year ended	
	31 December	
	2014	2015
	<i>RMB</i>	<i>RMB</i>
Net loss before taxation and extraordinary items	(196,398.25)	(376,502.29)
Net loss after taxation and extraordinary items	(196,398.25)	(376,502.29)

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.

INFORMATION ON GUANGXI GUANGHUI

Guangxi Guanghui is a company established under the laws of the PRC engaging in, among others, real estate development in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guangxi Guanghui is indirectly owned as to approximately 85% by Guanghui Group, which is the controlling shareholder of CGA. CGA, through its wholly-owned subsidiary China Grand Automotive Services (Hong Kong) Limited, holds approximately 75% of the shares in the Company, and it is therefore a controlling shareholder of the Company. Guangxi Guanghui and Guanghui Group are associates of CGA and therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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)

“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
“Date of Transfer of Management Rights”	the date on which (i) Guangxi Guanghui has paid, and Shanghai Kailong Qimao Hongqiao has received, RMB34,200,000 (equivalent to approximately HK\$36,404,494); and (ii) Wuxi Kailong has repaid, and Shanghai Kailong Qimao Hongqiao and its affiliates have received, the amount of the Wuxi Kailong Loan
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of a 70% equity interest of Wuxi Kailong by Shanghai Kailong Qimao Hongqiao to Guangxi Guanghui in accordance with the terms of the Sale and Purchase Agreement
“Guanghui Group”	Xinjiang Guanghui Industry Investment Group Co., Ltd.* (新疆廣匯實業投資(集團)有限責任公司), a company established under the laws of the PRC and the controlling shareholder of CGA
“Guangxi Guanghui”	Guangxi Guanghui Investment Development Co., Ltd.* (廣西廣匯投資發展有限公司), a company established under the laws of the PRC and a connected person of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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)
“Mr. Yang”	Mr. Yang Aihua, who was an executive Director and resigned from such office with effect from 21 June 2016

“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 Purchase Agreement”	the sale and purchase agreement in relation to the Disposal entered into between Shanghai Kailong Qimao Hongqiao and Guangxi Guanghui on 28 December 2016
“Shanghai Kailong Group”	Shanghai Kailong Automobile Group Co., Ltd.* (上海開隆汽車集團有限公司), a company established under the laws of the PRC, which is controlled by Mr. Yang
“Shanghai Kailong Qimao Hongqiao”	Shanghai Kailong Automobile Trading Hongqiao Co., Ltd.* (上海開隆汽車貿易虹橋有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Wuxi Kailong”	Wuxi Kailong Real Estate Co., Ltd.* (無錫開隆置業有限公司), a company established under the laws of the PRC and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Wuxi Kailong Loan”	the entire amount of the shareholder’s loan owing from Wuxi Kailong to Shanghai Kailong Qimao Hongqiao and its affiliates as at the Date of Transfer of Management Rights (excluding such shareholder’s loan in respect of the BMW Store Related Assets)

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

Shanghai, the PRC
28 December 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.

Unless the context requires otherwise, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at an exchange rate of RMB0.89 = HK\$1. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate and any other rate or at all.

** For identification purposes only*