GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code:1293)

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

SALE AND LEASEBACK FRAMEWORK AGREEMENT

The Board is pleased to announce that on 24 April 2018 (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, Dingxin Leasing shall sell to All Trust Leasing vehicles owned by Dingxin Leasing, which shall then be leased back for use by Dingxin Leasing. Upon expiry of the lease term, Dingxin 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 67.60% 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 are subject to the requirements of reporting, announcement and approval by independent shareholders 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% but less than 25%, the Sale and Leaseback Framework Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will convene an EGM to seek the independent shareholders' approval, amongst other things, on the Sale and Leaseback Framework Agreement. 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 25 May 2018 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 April 2018 (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, Dingxin Leasing shall sell to All Trust Leasing vehicles owned by Dingxin Leasing, which shall then be leased back for use by All Trust Leasing. Upon expiry of the lease term, Dingxin 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 summarised as follows:

Date

24 April 2018

Parties

(1) Dingxin Leasing

(2) All Trust Leasing

Sale and leaseback

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

Dingxin Leasing is principally engaged in the automobile finance leasing business in the PRC. Dingxin Leasing will enter into automobile finance lease agreements with retail customers, pursuant to which Dingxin Leasing will purchase vehicles from various manufacturers or the retail customers in accordance with the retail customers' instructions and obtain the legal titles to such vehicles, and Dingxin Leasing will then lease the purchased vehicles to such retail customers.

The vehicles to be sold to All Trust Leasing (and then leased back for use by Dingxin Leasing) under the Sale and Leaseback Framework Agreement comprise those owned by Dingxin Leasing and leased to its retail customers. The list of the leased assets under the Sale and Leaseback Framework Agreement (being the vehicles owned by Dingxin Leasing and leased to its retail customers and which will be set out in each Implementation Agreement), the lease term and the lease rate will be determined at the time when the Implementation Agreements are entered into.

Pursuant to the Implementation Agreements, the legal titles of the vehicles subject to such Implementation Agreements will be transferred from Dingxin Leasing to All Trust Leasing; however, All Trust Leasing will not succeed to or assume any rights or obligations of Dingxin Leasing under Dingxin Leasing's relevant finance lease agreements with its retail customers with respect to the same vehicles.

Upon expiry of the relevant lease term, Dingxin Leasing shall repurchase the leased assets in accordance with the agreed terms and with a consideration of a nominal amount of RMB100.

The Company considers that a sale and leaseback transaction under the Sale and Leaseback Framework Agreement should be classified as a finance lease, and such sale and leaseback transaction is a mean whereby the lessor provides finance to the lessee, with the asset as security. Therefore, the assets held under the sales and leaseback transactions shall be recognised in the Company's consolidated statement of financial position as a payable.

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 Dingxin Leasing to All Trust Leasing. Dingxin Leasing shall settle the lease payments in cash.

Leasing costs comprise the sale price and handling fees (if any) 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 Dingxin Leasing to All Trust Leasing by reference to the remaining principal amount of the leased assets under the existing lease agreements between Dingxin Leasing and its retail customers. The sale price will be funded by All Trust Leasing's internal resources and its bank loans. Dingxin Leasing shall bear all costs incurred in connection with the transfer of the leased assets.

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 favourable to the Company than those offered by such independent third parties. The parties agree that the lease interest rates shall in any event be at least 110% of, but no more than four times of, the benchmark interest rate for RMB term loans as announced for implementation by the People's Bank of China.

While terms of the sale and lease back transactions, such as lease term and lease rate, will be agreed by the time when the relevant Implementation Agreement is entered into, the monthly repayment amounts (which comprise partly the principal to be repaid and partly the interest to be repaid in that particular period) could be calculated and ascertained in any particular point of time throughout the term of the Sale and Leaseback Framework Agreement.

The annual maximum finance amount, which shall comprise the sum of the principal amount together with the interest that may accrue in respect of the Implementation Agreement(s) then in effect, shall not exceed the Annual Caps.

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 accordance with the terms of the Sale and Leaseback Framework Agreement. Notwithstanding the foregoing, Dingxin Leasing can decide whether or not to enter into any Implementation Agreements with All Trust Leasing after comparing terms then offered by independent third parties, if any, for sale and leaseback arrangements similar to the transactions contemplated under the Sale and Leaseback Framework Agreement. Dingxin Leasing expects that it will not enter into more than ten Implementation Agreements with All Trust Leasing for each of the three years ending 31 December 2018, 2019 and 2020.

Within five days after the signing of each Implementation Agreement, Dingxin Leasing shall pay to All Trust 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 Dingxin Leasing under the relevant Implementation Agreement.

During the lease period under each Implementation Agreement, Dingxin 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.

Pledge of receivables

Dingxin Leasing and All Trust Leasing have agreed that Dingxin Leasing shall enter into a pledge of receivables in favour of All Trust Leasing on the date of the relevant Implementation Agreement, pursuant to which, in the event of default of payment by Dingxin Leasing to All Trust Leasing pursuant to the relevant Implementation Agreement, All Trust Leasing shall have the preferential rights to payment on all receivables payable to Dingxin Leasing in respect of the underlying leased assets.

Unless otherwise specified in an Implementation Agreement, in the event Dingxin Leasing fails to repay to All Trust Leasing pursuant to the terms of the respective Implementation Agreement, All Trust Leasing shall have the discretion to exercise its rights in the aforementioned pledge of receivables.

Term and termination

The Sale and Leaseback Framework Agreement shall become effective on the date when it is approved by the independent shareholders at the EGM and will expire on 31 December 2020. Dingxin Leasing and All Trust Leasing will not enter into any individual Implementation Agreements before the Sale and Leaseback Framework Agreement becomes effective. The term of the individual Implementation Agreements shall not exceed three years and in any event shall not exceed 31 December 2020. In the event that the term of an Implementation Agreement is expected to extend beyond 31 December 2020, the Company will re-comply with the announcement and shareholders' approval requirements in accordance with Rule 14A.54 of the Listing Rules before such Implementation Agreement is entered into.

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.

In the event of the termination of the Sale and Leaseback Framework Agreement and the underlying Implementation Agreement(s), Dingxin Leasing is required to make a full repayment of the outstanding principal amount together with the accrued and unpaid lease payment (if any) in respect of the transactions under the Implementation Agreement(s) up to and including the date of termination within seven business days upon such termination.

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 at least two independent third parties in sale and leaseback transactions of a similar scale and nature. Such independent third parties shall have the operation scale and financial position at least comparable to those of Dingxin Leasing and/or All Trust Leasing and have a track record of at least one year in conducting similar sale and leaseback transactions. Dingxin Leasing will not enter into any individual Implementation Agreements if the lease interest rates paid to All Trust Leasing are not on normal commercial terms. 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. As part of the reporting processes implemented by the Group, Dingxin Leasing is required to submit a report to the Company's finance department each month, setting out the transaction amounts and an indication of whether transaction volumes are expected to remain within the Annual Caps. If any monthly report indicates that an Annual Cap is anticipated to be exceeded, the Company's finance department will collect further information from Dingxin Leasing including estimated transaction values, and the Company's finance department will calculate and establish revised caps and obtain approval from the Board for such revised annual caps (subject to the requirements under the then applicable Listing Rules).

Given that Dingxin Leasing expects that it will not enter into more than ten Implementation Agreements with All Trust Leasing for each of the three years ending 31 December 2018, 2019 and 2020, the Directors are of the view that such monthly reports from Dingxin Leasing to the Company's finance department are adequate for the Company to supervise whether transaction volumes are expected to remain within the Annual Caps. In addition, before each and every Implementation Agreement is entered into, the Company's finance department will review whether transaction volumes will remain within the Annual Caps if such Implementation Agreement is entered into. In the event that the term of an Implementation Agreement is expected to extend beyond 31 December 2020, the Company will re-comply with the announcement and shareholders' approval requirements in accordance with Rule 14A.54 of the Listing Rules before such Implementation Agreement is entered into.

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 in respect of the annual maximum finance amount under the Sale and Leaseback Framework Agreement

	Total
2018	900,000,000
2019	1,500,000,000
2020	1,800,000,000

Unit: RMB

The annual maximum finance amount set out above refers to the sum of the principal amount and interest that may accrue in respect of the Implementation Agreement(s) then in effect.

The Annual Caps were determined after taking into account, amongst other things, (i) the business plans of the Group (including Dingxin Leasing); and (ii) the relevant expected accumulated principal amount and interest under the Sale and Leaseback Framework Agreement.

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

Currently, Dingxin Leasing is mainly engaged in direct automobile finance leasing with retail customers. Dingxin Leasing is planning to vigorously develop its sale and leaseback finance leasing business in the PRC. The entering into of the Sale and Lease Framework Agreement is a strategic step of the Group to tap into the sale and leaseback finance leasing business in the PRC. By collaborating with All Trust Leasing and entering into the Sale and Leaseback Framework Agreement, the Group will be able to obtain additional financing to develop its own finance leasing business.

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 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 67.60% 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 are subject to the requirements of reporting, announcement and approval by independent shareholders 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% but less than 25%, the Sale and Leaseback Framework Agreement and the transactions contemplated thereunder also constitute a discloseable transaction of the Company, and are subject to the reporting and announcement 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 25 May 2018 as more time is required for the Company to prepare and finalise the information to be included in the circular.

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
"Annual Caps"	the annual maximum finance amount for the transactions underlying the Sale and Leaseback Framework Agreement for each of the three years ending 31 December 2018, 2019 and 2020 as set out in this announcement
"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"	Grand Baoxin Auto Group Limited (廣匯寶信汽車集團有限公司), an company incorporated in the Cayman Islands with limited liability, the 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

"EGM"	the extraordinary general meeting of the Company to be convened to seek the independent shareholders' approval, amongst other things, on the Sale and Leaseback Framework Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Implementation Agreement(s)"	the specific individual implementation agreement(s) to be entered into by Dingxin Leasing and All Trust Leasing in accordance with the Sale and Leaseback Framework Agreement from time to time during the term of the Sale and Leaseback Framework Agreement
"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 April 2018 between All Trust Leasing and Dingxin Leasing
"Share(s)"	Share(s) in the share capital of the Company, with a nominal value of HK$0.01 each
"subsidiary"	has the meaning ascribed thereto under the Listing Rules
"%"	per cent

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

The PRC, 24 April 2018

As at the date of this announcement, the Company's 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 Ms. Xu Xing; and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.