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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2011

The board (the "**Board**") of directors (the "**Directors**") of Baoxin Auto Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2011, as well as comparative figures for the corresponding period in 2010.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2011:

- Revenue increased by 55.7% to RMB12,010.9 million.
- Net profit for the year increased by 100.1% to RMB615.8 million.
- Profit attributable to owners of the parent increased by 98.0% to RMB601.9 million.
- Basic earnings per share increased by 92.9% to RMB0.27.

SUMMARY FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	3	**12,010,929**	7,716,564
Cost of sales and services provided		**(10,721,181)**	(7,028,566)
Gross profit		**1,289,748**	687,998
Other income and gains, net	4	**93,756**	37,482
Selling and distribution costs		**(256,629)**	(177,100)
Administrative expenses		**(166,977)**	(90,985)
Profit from operations		**959,898**	457,395
Finance costs	5	**(128,397)**	(48,378)
Share of profit of a jointly-controlled entity		**5,372**	2,907
Profit before tax	6	**836,873**	411,924
Tax	7	**(221,041)**	(104,266)
Profit for the year		**615,832**	307,658
Attributable to:			
Owners of the parent		**601,905**	303,940
Non-controlling interests		**13,927**	3,718
		615,832	307,658
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic and diluted			
— For profit for the year (RMB)		**0.27**	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**615,832**	307,658
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(10,737)**	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(10,737)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**605,095**	307,658
Attributable to:		
Owners of the parent	**591,168**	303,940
Non-controlling interests	**13,927**	3,718
	605,095	307,658

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**December 31, 2011** **RMB'000**	December 31, 2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**798,995**	520,707
Land use rights		**174,624**	327,938
Intangible assets		**2,219**	—
Prepayments		**16,042**	7,554
Interest in a jointly-controlled entity		**13,246**	7,874
Deferred tax assets		**8,065**	6,549
Total non-current assets		**1,013,191**	870,622
CURRENT ASSETS			
Inventories	*9*	**1,284,159**	737,953
Trade receivables	*11*	**125,504**	42,847
Prepayments, deposits and other receivables		**2,022,874**	897,726
Amounts due from a jointly-controlled entity		**37,835**	33,900
Pledged bank deposits		**399,416**	276,149
Cash in transit		**13,383**	14,022
Cash and cash equivalents		**2,884,038**	384,476
Total current assets		**6,767,209**	2,387,073
CURRENT LIABILITIES			
Bank loans and other borrowings		**2,341,021**	807,339
Trade and bills payables	*12*	**1,174,914**	589,645
Other payables and accruals		**346,494**	164,375
Amounts due to related parties		**626,680**	5,385
Income tax payable		**199,131**	152,713
Total current liabilities		**4,688,240**	1,719,457
NET CURRENT ASSETS		**2,078,969**	667,616
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,092,160**	1,538,238

	December 31, 2011 *RMB'000*	December 31, 2010 *RMB'000*
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	**29,800**	—
Deferred tax liabilities	**8,535**	—
Total non-current liabilities	**38,335**	—
NET ASSETS	**3,053,825**	1,538,238
EQUITY		
Equity attributable to owners of the parent		
Share capital	**20,604**	—
Reserves	**2,997,149**	1,465,573
	3,017,753	1,465,573
Non-controlling interests	**36,072**	72,665
Total equity	**3,053,825**	1,538,238

Notes to consolidated financial statements:

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

Baoxin Auto Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on September 6, 2010.

Through a group reorganization (the "**Reorganization**") as set out in the section headed "Our History and Reorganization" in the prospectus of the Company dated December 2, 2011 (the "**Prospectus**") for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies then comprising the Group on August 4, 2011. The shares of the Company were listed on the Stock Exchange on December 14, 2011 (the "**Listing Date**"). Since Mr. Yang Aihua (the "**Controlling Shareholder**") controls the Group before and after the Reorganization, the Reorganization is accounted for as a reorganization under common control using the principles of merger accounting in accordance with Accounting Guidance 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

These consolidated financial statements include the financial statements of the companies now comprising the Group, as if the group structure resulted from the Reorganization had been in existence from the beginning of the financial years presented, or since their respective dates of incorporation, whichever is a shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

The combined financial statement incorporated the financial statements of the Company and its subsidiaries for the years ended December 31, 2010. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the sale and service of motor vehicles businesses. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted at the beginning of the financial years presented, all the HKFRSs that have been issued and effective for the financial years presented.

3. REVENUE AND SEGMENT INFORMATION

	2011 ***RMB'000***	2010 *RMB'000*
Revenue from the sale of motor vehicles	**11,254,946**	7,168,106
Others	**755,983**	548,458
	12,010,929	7,716,564

The Group's principal business is the sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since all of the Group's revenue was generated from the sale and service of motor vehicles in the Mainland China and all of the Group's non-current assets other than deferred tax assets were located in the Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

4. OTHER INCOME AND GAINS, NET

	2011	2010
	RMB'000	*RMB'000*
Commission income	**60,627**	21,533
Advertisement support received from motor vehicle manufacturers	**7,647**	3,184
Rental income	**1,525**	—
Government grants	**5,813**	6,904
Interest income	**5,809**	2,345
Net gain on disposal of items of property, plant and equipment	**2,304**	1,678
Others	**10,031**	1,838
Total	**93,756**	37,482

5. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**134,297**	51,684
Interest expense on other borrowings	**2,283**	2,028
Less: Interest capitalized	**(8,183)**	(5,334)
	128,397	48,378

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		2011 *RMB'000*	2010 *RMB'000*
(a)	**Employee benefit expense (including directors' remuneration):**	**110,900**	78,119
(b)	**Cost of sales and services:**	**10,721,181**	7,028,566
(c)	**Other items:**		
	Depreciation of items of property, plant and equipment	**62,816**	42,654
	Amortisation of land use rights	**3,088**	2,098
	Amortisation of intangible assets	**238**	—
	Advertisement and business promotion expenses	**55,226**	37,469
	Auditors' remuneration	**4,000**	715
	Bank charges	**17,585**	6,913
	Lease expenses	**39,203**	24,107
	Logistics and petroleum expenses	**26,700**	18,837
	Office expenses	**10,257**	6,909

7. TAX

(a) Tax in the consolidated income statement represents:

	2011 *RMB'000*	2010 *RMB'000*
Current:		
Mainland China corporate income tax	**214,636**	105,033
Deferred tax	**6,405**	(767)
	221,041	104,266

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the British Virgin Islands ("**BVI**") is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to an income tax at the rate of 16.5% during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate is 25%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2011	2010
	RMB'000	*RMB'000*
Profit before tax	**836,873**	411,924
Tax at applicable tax rates (25%)	**209,218**	102,981
Tax effect of non-deductible expenses	**13,166**	2,012
Profit attributable to a jointly-controlled entity	**(1,343)**	(727)
Tax charge	**221,041**	104,266

The share of tax attributable to a jointly-controlled entity amounting to RMB1,791,000 (2010: Nil), is included in "Share of profit of a jointly-controlled entity" in the consolidated income statement.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares in issue, during the year.

	2011	2010
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**601,905**	303,940

	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year	**2,216,211,836**	2,200,000,000

The weighted average number of ordinary shares used to calculate the basic earnings per share in 2010 was 2,200,000,000, which were deemed to have been issued throughout the year.

The weighted average number of shares used to calculate the basic earnings per share for the year of 2011 includes the weighted average of 328,740,000 shares issued in connection with the Company's initial public offering ("**IPO**") as defined in the Prospectus and the aforesaid 2,200,000,000 ordinary shares.

	2011	2010
	RMB	*RMB*
Earnings per share		
Basic	**0.27**	0.14

No adjustment has been made to the basic earnings per share amounts presented in 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2011 and 2010.

9. INVENTORIES

	December 31, 2011 *RMB'000*	December 31, 2010 *RMB'000*
Motor vehicles	**1,191,087**	678,858
Spare parts and accessories	**93,072**	59,095
	1,284,159	737,953

Certain of the Group's inventories with an aggregate carrying amount of RMB390,007,000 (2010: RMB225,620,000) as at December 31, 2011 were pledged as security for the Group's bank loans and other borrowings.

Certain of the Group's inventories with an aggregate carrying amount of RMB666,898,000 (2010: RMB398,929,000) as at December 31, 2011 were pledged as security for the Group's bills payable.

10. DIVIDEND

The Board did not declare the payment of any dividend during the year ended December 31, 2011 (2010: Nil).

11. TRADE RECEIVABLES

	December 31, 2011 *RMB'000*	December 31, 2010 *RMB'000*
Trade receivables	**125,504**	42,847

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at each reporting date (based on the invoice date, net of impairment) is as follows:

	December 31, 2011 *RMB'000*	December 31, 2010 *RMB'000*
Within 3 months	**120,231**	38,349
More than 3 months but less than 1 year	**4,201**	2,585
Over 1 year	**1,072**	1,913
	125,504	42,847

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	December 31, 2011 *RMB'000*	December 31, 2010 *RMB'000*
Neither past due nor impaired	**124,432**	40,934
Over one year past due	**1,072**	1,913
	125,504	42,847

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE AND BILLS PAYABLES

	December 31, 2011 *RMB'000*	December 31, 2010 *RMB'000*
Trade payables	**32,961**	14,325
Bills payable	**1,141,953**	575,320
Trade and bills payables	**1,174,914**	589,645

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	December 31, 2011 *RMB'000*	December 31, 2010 *RMB'000*
Within 3 months	**1,167,616**	570,884
3 to 6 months	**4,534**	16,410
6 to 12 months	**—**	2,129
Over 12 months	**2,764**	222
	1,174,914	589,645

The trade and bills payables are non-interest-bearing.

INDUSTRY OVERVIEW

The Chinese economy has continued to grow rapidly in recent years and the rapid economic growth has accelerated the urbanization process in China which has, in turn, increased the percentage of the Chinese population with growing disposable income. According to the data published by the National Bureau of Statistics of China, in 2011, China's GDP grew by 9.2% to RMB47.2 trillion from the previous year while the median per capita disposable income of urban households increased by 13.5% to RMB19,118. Riding on such factors, the PRC passenger vehicle industry experienced steady growth. According to the statistics from China Association of Automobile Manufacturers, the total sales volume of passenger vehicles in China increased by 5.19% in 2011. At the same time, the PRC imported vehicle market performed remarkably in 2011 with an annual import amount first exceeds one million to 1.0389 million units representing a growth of 27.7% over the previous year.

Despite the moderate growth in the general passenger vehicle market, the growth in the luxury and ultra-luxury brand automobile market has remained strong. Driven by increasing numbers of middle class and affluent upper middle class in China and growing demand in upgrading of middle class vehicles, luxury and ultra-luxury brands automobiles in China had benefited and had grown strongly and steadily in 2011. The total sales volume of luxury and ultra-luxury automobiles generally increased: major brands such as BMW, Audi and Land Rover & Jaguar recorded the annual sales of automobiles in China of 232,000 units, 313,000 units and 42,000 units for 2011, representing a growth of 37.6%, 37.0% and 61% as compared to the previous year.

Riding on the rises in per capita disposable income of urban households, the demand for luxury automobiles will continue to increase and the luxury brands will continue to optimize its own product line: luxury brands such as BMW and Audi commenced production of automobiles in the price range of approximately RMB300,000 per unit in recent years thereby enlarging the target customers group. We believe the sales volume of luxury and ultra-luxury automobiles will continue to surge in the near future.

Within the Chinese passenger vehicle market, given the surging demand in luxury and ultra-luxury brand automobiles, together with the accompanying rising demand for after-sales services due to the increase in general accumulation of luxury and ultra-luxury brand automobiles in China, luxury 4S dealership groups are expected to benefit from the economic conditions.

BUSINESS OVERVIEW

Rapid Expansion in Dealership Network

Our Group is a leading luxury 4S dealership group in China. Our strong brand portfolio includes a wide range of brands. During the year of 2011, the Group successfully introduced one of the ultra-luxury brands, Land Rover & Jaguar, to our brand portfolio and setup five Land Rover & Jaguar dealership stores. Our brand portfolio includes luxury and ultra-luxury brands such as BMW, MINI, Audi, Land Rover & Jaguar and Cadillac, which most of our dealership stores are dedicated to, as well as other popular mid-to-upper market brands, such as Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet and Hyundai.

The dealership network of our Group has continued to expand rapidly throughout the year of 2011, especially in the luxury and ultra-luxury markets. In the year ended December 31, 2011, we formally launched 10 new dealership stores and three additional dealership stores which were in trial operations, making our total number of new established dealership stores to 13 stores (the "**New Dealership Stores**"), all of which were luxury and ultra-luxury dealership stores. Among the 13 New Dealership Stores, five were dedicated for Land Rover & Jaguar, seven were dedicated to BMW and one for Cadallic. As of December 31, 2011, we have a well-established network comprising 30 dealership stores which were formally launched and three additional dealership stores which were in trial operations, making our total number of established dealership stores to 33. Of which, 23 out of 33, approximately 70%, of our dealership stores are dedicated to luxury and ultra-luxury brands. In addition to our dealership stores, our network also includes one authorised repair center and two automobile customization centers in Shanghai.

As at December 31, 2011, we had further received manufacturers' authorizations, conditional approvals and non-binding letters of intent to establish another 10 luxury and ultra-luxury brand dealership stores, showrooms and repair centers.

All of our dealership stores are strategically located, most of which are distributed in eastern China where the economy is most developed, and the demand and growth of luxury and ultra-luxury brands automobiles are the strongest. During the year of 2011, we expanded into five new cities, being Zibo, Dandong, Wuxi, Jiaxing and Yangzhou. Our dealership stores network currently covers 14 cities in the Mainland China.

Significant Growth in Sales of Luxury and Ultra-Luxury brand automobiles

As a result of our focus on luxury and ultra-luxury brands as well as strategic location of our stores, we have recorded significant growth in our revenues and profits for the year ending December 31, 2011. Our revenue from sales of automobiles for the year ended December 31, 2011 was RMB11,254.9 million, representing a growth of approximately 57.0%. The sales of luxury and ultra-luxury automobile contributed to 80.2% of our total revenue for the year. In terms of sales volume, we sold 29,499 units of automobile in the year ended December 31, 2011, an increase of 7,185 units, or 32.2%, from 22,314 units of automobiles for the same period ended 2010. The sales volume of luxury and ultra-luxury automobile contributed to 60.8% of our total sales volume for the year. For the year ended December 31, 2011 we sold 17,935 units of luxury and ultra-luxury automobile, an increase of 6,679 units, or 59.3%, from 11,256 units for the same period ended 2010.

Enhanced After-Sales Services

The Group has always placed emphasis on its after-sales service business as an important and stable income source of its future development. In addition to regular repair and maintenance, we also provided customization services, as well as sales of automobile care products and other products. Our Group's after-sales business has remain superior and continues to enable us to form strong partnership with leading automobile manufacturers.

In order to provide the most efficient repair and maintenance services for our customers, our Group improved our repair technology level of our dealership stores by implementing schemes that targeted to extend reception time (星月計劃) and to shorten the waiting time for after-sales services (賽馬計劃) in 2011. We have also been diversifying our after-sales service model by establishing authorized repair centers and setting up certified collision damage assessment centers with Traffic Management Bureau.

As a result of implementation of the above strategies, we recorded a growth in revenue from our after-sales services. For the year ended December 31, 2011, the revenue from after-sales services reached RMB756.0 million, representing an increase of 37.8% as compared to that of 2010.

Successful and Replicable Business Model

Over the past decade of development, the Group has gained extensive automobile dealership experiences and nurtured a large number of sales and after-sales experts to form a mature management system and a replicable and self-developed network expansion model. Leveraging on our excellent management and long-standing cooperation, we have established a stable long term relationship with leading automobile manufacturers and placing us in a strong position to attain additional authorizations from existing and new automobile manufacturers in the future for our organic expansion and potential acquisitions.

Training Scheme for Employees

Our Group recognize the value of our employees to our long term success. As of the date of this report, the Group has a dedicated training institute in Changshu, Jiangsu province which provides training courses for all levels of our employees in different fields, including technical skills, product knowledge, customer service, sales and communications skills and management skills as well as practical trainings. We believe the training programs will help nurture the suitable personnel and talents to meet the Group's rapid development and expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

For the year ended December 31, 2011, our revenue was RMB12,010.9 million, representing a growth of approximately 55.7%. The increase was primarily due to an increase of RMB4,086.8 million, or 57.0%, in revenue from the automobile sales, particularly from the sales of luxury and ultra-luxury automobiles, compared to the same period of 2010.

	Year ended December 31,			
	2011		2010	
Revenue Source	**Revenue** *(RMB'000)*	**Contribution** *(%)*	Revenue *(RMB'000)*	Contribution *(%)*
Automobile sales	**11,254,946**	**93.7**	7,168,106	92.9
After-sales business	**755,983**	**6.3**	548,458	7.1
Total Revenue	**12,010,929**	**100**	7,716,564	100

Revenue from the sale of automobiles increased by 57.0% due to (1) the contribution to automobile sales from the New Dealership Stores, and (2) continued sales growth at our more mature stores.

Automobile sales generated a substantial portion of our revenue, accounting for 93.7% of our revenue for the year ended December 31, 2011. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands account for approximately 85.6% (2010: 77.9%) and 14.4% (2010: 22.1%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 37.8% from RMB548.5 million for the year ended December 31, 2010 to RMB756.0 million for the same period in 2011. Revenue from our after-sales business is driven primarily by the demand for maintenance and repair services and related sales of spare parts, which is in turn primarily affected by the cumulative number of automobiles sold by us in the past and the relative maturity of the stores in our network. Although revenue from our after-sales business increased over the year ended December, 2011, the relative contribution of our after-sales business to our revenue decreased slightly from 7.1% to 6.3%. This decrease was primarily due to the opening of our New Dealership Stores during the year. Our new stores typically require two years to fully ramp up their after-sales business performance due to the demand cycle for repair and maintenance services.

Cost of Sales and Services

For the year ended December 31, 2011, our cost of sales and services increased by 52.5%, from RMB7,028.6 million for the same period ended 2010 to RMB10,721.2 million. This increase is basically consistent with the growth in our sales throughout the year ended December 31, 2011.

The cost of sales and services attributable to our automobile sales business amounted to RMB10,331.6 million for the year ended December 31, 2011, an increase of RMB3,590.9 million, or 53.3%, from the same period in 2010. The cost of sales attributable to our after-sales business amount to RMB389.6 million for the year ended December 31, 2011, an increase of RMB101.7 million, or 35.3% from the same period in 2010.

Gross Profit and Gross Profit Margin

Gross profit for the year ended December 31, 2011 was RMB1,289.7 million, an increase of RMB601.7 million or 87.5% from the same period in 2010. Gross profit from automobile sales increased by 116.0% from RMB427.4 million for the year ended December 31, 2010 to RMB923.3 million for the same period in 2011, of the RMB495.9 million increase RMB494.9 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 40.6% from RMB260.6 million for the year ended December 31, 2010 to RMB366.4 million for the same period in 2011. As of December 31, 2011, the contribution to gross profit from automobile sales and after-sales business accounted for 71.6% and 28.4% respectively of the total gross profit for the year.

Gross profit margin for the year ended December 31, 2011 was 10.7% (2010: 8.9%), of which the gross profit margin of automobile sales was 8.2% (2010: 6.0%) and of after-sales business was 48.5% (2010: 47.5%). The increase in gross profit margin in the year ended December 31, 2011 was primarily due to the increase of gross profit margin from sales of luxury and ultra-luxury automobiles (increased of 2.3% from 6.7% for the year ended December 31, 2010 to 9.0% for the same period in 2011).

Other Income and Gains, Net

Other income and gains, net, increased by 150.1% from RMB37.5 million for the year ended December 31, 2010 to RMB93.8 million for the same period in 2011, primarily due to an increase in our commission income. Our commission income increased due to an increase in the amounts of automobile insurance policies sold through our dealership stores and higher commission rates that resulted from direct sales of automobile insurance policies to customers by certain of our dealership stores which have obtained the necessary qualification to conduct such sales.

Profit from Operations

As a result of the foregoing, our profit from operations for the year ended December 31, 2011 increased by 109.9% from RMB457.4 million to RMB959.9 million, from the same period in 2010.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended December 31, 2011 increased by 100.1% from RMB307.7 million to RMB615.8 million, from the same period in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating expenses. We finance our liquidity requirements through a combination of short-term bank loans and other borrowings and cash flows generated from our operating activities.

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loans and other borrowings and the net proceeds from the IPO, we believe that our liquidity requirements will be satisfied.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of the proceeds from the IPO, bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the year ended December 31, 2011, our net cash used in operating activities, net cash used in investing activities, and net cash generated from financing activities was RMB332.8 million (2010: RMB121.2 million), RMB693.1 million (2010: RMB579.9 million), and RMB3,536.3 million (2010: RMB872.8 million), respectively.

Net Current Assets

As at December 31, 2011, we had net current assets of RMB2,079.0 million, representing a increase of RMB1,411.4 million from our net current assets of RMB667.6 million as at December 31, 2010. This change was primarily due to an increase in our cash from the IPO proceeds.

Capital Expenditure

Our capital expenditures primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended December 31, 2011, our total capital expenditure was RMB486.0 million.

Inventory

Our inventories primarily consisted of new automobiles and spare parts and accessories. Each of our dealership stores individually manages their orders for new automobiles and after-sales products. We coordinate and aggregate orders for automobile accessories and other automobile-related products across our dealership network.

Our inventories increased by 74.0% from RMB738.0 million as of December 31, 2010 to RMB1,284.2 million as of December 31, 2011, primarily due to increase in our inventory of new automobiles by 75.4% from RMB678.9 million as of December 31, 2010 to RMB1,191.1 million as of December 31, 2011. We increased the inventory that we maintained across our network in 2011 due to (1) increased demand and sales at our stores, (2) increased sales of luxury and ultra-luxury automobiles, and (3) the addition of 13 dealership stores which commenced operation during the year ended December 31, 2011.

Our average inventory turnover days in the year ended December 31, 2011 increased to 34.4 days from 30.1 days in 2010, primarily due to the New Dealership Stores as inventory turnover at these newly established stores took longer compared to our more mature stores.

Bank Loans and Other Borrowings

Our bank loans and other borrowings as at December 31, 2011 were RMB2,370.8 million, an increase of RMB1,563.5 million from RMB807.3 million as at December 31, 2010. The increase was due to our capital expenditures on new stores and increased working capital requirements due to our new stores and increased sales at our other stores.

Contingent Liabilities

As at December 31, 2011, our Group had no significant contingent liabilities.

Pledge of the Group's Assets

Our Group had pledged our group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As at December 31, 2011, the pledged group assets amounted to approximately RMB1,538.2 million (2010: RMB959.7 million).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the shares of the Company were listed on the Listing Date, neither the Company, or any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2011.

APPLICATION OF IPO PROCEEDS

The Company's shares were listed on the Stock Exchange on the Listing Date. The net proceeds from the Company's Listing were approximately RMB2,167.7 million after deduction of related expenses. The net proceeds have not been utilized as at December 31, 2011 and will be utilized in the manner consistent with that mentioned in the Prospectus under the section headed "Future Plans and Use of Proceeds". The balance of the proceeds is placed with reputable banks as the Group's bank deposits.

OUTLOOK

In light of the continuing growth of China's affluent population and increasing demand for luxury and ultra-luxury passenger vehicles in the market, our Group will continue to strengthen our market position with the primary focus on the luxury and ultra-luxury markets.

In terms of dealership network, we plan to expand our dealership network over the next few years through new store openings and by pursuing opportunities to cooperate with other luxury or ultra-luxury brand automobile manufacturers to expand our brand portfolio. We also intended to increase the proportion of our stores dedicated to the luxury and ultra-luxury brands. We believe that our well-established relationships with leading automobile manufacturers and our experience in operating luxury and ultra-luxury brands, including BMW and Land Rover & Jaguar, position us well to obtain authorizations from other luxury and ultra-luxury brand manufacturers. Our Group will also actively apply for authorization of other luxury and ultra-luxury brands to optimize our brand portfolio.

Geographically, cities in Eastern China are undergoing significant economic development resulting in surging demand of passenger vehicles. We aim at strengthening our efforts in exploring and expanding into such area whilst continuing to also seek opportunities to expand into, and commence preparation for, certain major fast growing cities in Central and Western China.

Besides organic growth, we believe that, due to the highly fragmented nature of China's automobile dealership industry and automobile manufacturers' increasing preference to work only with the larger dealership groups, there will be attractive opportunities for industry consolidation. We will seek opportunities to acquire other dealership groups, through selective acquisitions, alliances, joint ventures and other strategic investments, if suitable opportunities arise. We believe that our market position and superior operational capabilities and expertise will enable us to optimize revenue of our acquisition targets.

With respect to our after-sales business, the relative contribution of our after-sales business to our revenue decreased slightly, due to the opening of New Dealership Stores during the year of 2011 as new stores typically require two years to fully ramp up their after-sales business performance due to the demand cycle for repair and maintenance services. Currently, the proportion of New Dealership Stores to total number of dealership stores is relatively high (13: 33). We expect that as our New Dealership Stores begin to mature, they will contribute more to our overall revenue and profitability as their after-sales business continue to ramp up in the next few years.

Overall, by expanding our dealership network and brand portfolio, further improving sales of our existing stores, and strengthening the training and management of our employees, together with the additional revenue from our New Dealership Stores, we expect continuous growth in our automobile sales. We also plan to increase our after-sales service capacity, by establishment of authorized repair centers, expanding the scope of our after-sales services, improving the productivity of our after-sales service personnel and expanding into new product and service offerings. In addition, we will continue to broaden our revenue sources and enhance our profitability by expanding our authorized used automobile business and insurance agent services, as well as other automobile related businesses, including our automobile styling and accessories businesses. We will continue to monitor the development of automotive financial business with the aim to provide comprehensive, convenient and high-quality automobile services for our customers and optimize our income structure and profitability.

Looking forward, we believe that our superior operational capabilities and customer-oriented services expertise will continue to enable us to strengthen our market position as a leading luxury 4S dealership group in China.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company was not listed on the Stock Exchange throughout the year from January 1, 2011 to December 31, 2011 (the "**Review Year**"), the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were not applicable to the Company during the Review Year until the Listing Date. Since the Listing Date, the Company has complied with the mandatory code provisions of the CG Code, save for the following deviations due to the short period of time since listing of the Company's shares on the Stock Exchange on December 14, 2011.

Code Provision A.1.1

Under code provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Since the Listing Date to December 31, 2011, the Company has not held any Board meeting. The Board intends to meet at least four times per year in the future.

Code Provision A.5.4

Under code provision A.5.4, the Board should establish written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules for relevant employees in respect of their dealings in the Company's securities. Since the Company was just listed on the Listing Date, it has not yet established written guidelines for relevant employees in respect of their dealings in the Company's securities during the Review Year. As of the date of this announcement, the Company adopted written guidelines in respect of relevant employee's dealings in the Company's securities on the exact terms of the Model Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions of the Directors. The Company has made specific enquiries with all Directors who have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended December 31, 2011.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2011.

AUDIT COMMITTEE REVIEW

Pursuant to the requirement of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising of Mr. Diao Jianshen (chairman), Mr. Wang Keyi and Mr. Chan Wan Tsun Adrian Alan, all of them are the Company's independent non-executive Directors.

The Audit Committee has reviewed the consolidated financial statements for the year ended December 31, 2011, and is of the view that the Group's consolidated financial statements for the year ended December 31, 2011 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2011 have been compared by the Company's auditors, Ernst & Young, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF FINAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.klbaoxin.com). The annual report of the Company for the year ended December 31, 2011 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Baoxin Auto Group Limited
YANG Aihua
Chairman

Shanghai, the People's Republic of China, March 14, 2012

As of the date of this announcement, the executive Directors are Mr. YANG Aihua, Mr. YANG Hansong, Mr. YANG Zehua, Ms. HUA Xiuzhen and Mr. ZHAO Hongliang, the non-executive Director is Mr. ZHANG Yang, and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.