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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

The board (the "**Board**") of directors (the "**Directors**") of Baoxin Auto Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the six months ended June 30, 2012, as follows:

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2012:

- Revenue increased by 72.2% to RMB9,011.5 million as compared to the corresponding period in 2011.
- Profit from operations increased by 71.3% to RMB573.3 million as compared to the corresponding period in 2011.
- Profit attributable to owners of the parent increased by 63.3% to RMB333.2 million as compared to the corresponding period in 2011.
- Basic earnings per share were RMB0.13.

SUMMARY OF INTERIM FINANCIAL RESULTS

CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	**Unaudited For the six months ended June 30, 2012** ***RMB'000***	Audited For the six months ended June 30, 2011 *RMB'000*
REVENUE	*4(a)*	**9,011,496**	5,233,328
Cost of sales and services provided	*5(b)*	**(8,260,118)**	(4,714,265)
Gross profit		**751,378**	519,063
Other income and gains, net	*4(b)*	**93,671**	38,414
Selling and distribution costs		**(169,390)**	(131,761)
Administrative expenses		**(102,322)**	(90,997)
Profit from operations		**573,337**	334,719
Finance costs	*6*	**(135,571)**	(48,076)
Share of profits of a jointly-controlled entity		**8,290**	2,275
Profit before tax	*5*	**446,056**	288,918
Tax	*7*	**(109,400)**	(75,014)
Profit for the period		**336,656**	213,904
Attributable to:			
Owners of the parent		**333,188**	204,013
Non-controlling interests		**3,468**	9,891
		336,656	213,904
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For profit for the period *(RMB)*	*9*	**0.13**	0.09

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended June 30, 2012 *RMB'000*	Audited For the six months ended June 30, 2011 *RMB'000*
Profit for the period	**336,656**	213,904
Other comprehensive income		
Exchange differences on translation of foreign operations	**12,074**	—
Other comprehensive income for the period, net of tax	**12,074**	—
Total comprehensive income for the period, net of tax	**348,730**	213,904
Attributable to:		
Owners of the parent	**345,262**	204,013
Non-controlling interests	**3,468**	9,891
	348,730	213,904

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited June 30, 2012** *RMB'000*	Audited December 31, 2011 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,198,889**	798,995
Land use rights		**172,652**	174,624
Intangible assets		**2,567**	2,219
Prepayments		**23,622**	16,042
Interests in a jointly-controlled entity		**21,536**	13,246
Deferred tax assets		**10,882**	8,065
Total non-current assets		**1,430,148**	1,013,191
CURRENT ASSETS			
Inventories	*10*	**2,413,977**	1,284,159
Trade receivables	*11*	**194,595**	125,504
Prepayments, deposits and other receivables		**2,158,011**	2,022,874
Amounts due from a jointly-controlled entity		**37,835**	37,835
Pledged bank deposits		**384,860**	399,416
Cash in transit		**39,692**	13,383
Cash and cash equivalents		**2,453,943**	2,884,038
Total current assets		**7,682,913**	6,767,209
CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**3,786,415**	2,341,021
Trade and bills payables	*13*	**923,302**	1,174,914
Other payables and accruals		**276,605**	346,494
Amounts due to related parties		**550,142**	626,680
Income tax payable		**139,823**	199,131
Total current liabilities		**5,676,287**	4,688,240
Net current assets		**2,006,626**	2,078,969
Total assets less current liabilities		**3,436,774**	3,092,160

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**Unaudited June 30, 2012** *RMB'000*	Audited December 31, 2011 *RMB'000*
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**20,000**	29,800
Deferred tax liabilities		**11,419**	8,535
Total non-current liabilities		**31,419**	38,335
Net assets		**3,405,355**	3,053,825
EQUITY			
Equity attributable to owners of the parent			
Share capital		**20,604**	20,604
Reserves		**3,342,411**	2,997,149
		3,363,015	3,017,753
Non-controlling interests		**42,340**	36,072
Total equity		**3,405,355**	3,053,825

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on September 6, 2010. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 14, 2011.

During the period, the Group was principally engaged in the sale and service of motor vehicles.

In the opinion of the Directors, the ultimate holding company of the Company is Baoxin Investment Management Ltd., which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended June 30, 2012 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The condensed consolidated interim financial statements were presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on August 30, 2012. These condensed consolidated interim financial statements have not been audited.

2.2 Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2011.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The following new standards and amendments to standards have been issued are not effective for the financial year beginning January 1, 2012 and have not been early adopted:

- HKFRS 9 *Financial instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial instruments: Recognition and measurement* and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

- HKFRS 10 *Consolidated financial statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after January 1, 2013.

- HKFRS 12 *Disclosures of interests in other entities* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after January 1, 2013.

- HKFRS 13 *Fair value measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after January 1, 2013.

- HKAS 19 (Amendment) *Employee benefits* eliminate the corridor approach and calculate finance costs on a net funding basis. The group is yet to assess the amendments to HKAS 19's impact.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

3. SEGMENT INFORMATION

The Group is principally engaged in the sale and service of motor vehicles. For management purposes, the Group operates in single business unit based on its products, and has one reportable segment which includes 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 Mainland China and all of the Group's non-current assets other than deferred tax assets were located in Mainland China, no geographical segment 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 six months ended June 30, 2012, no major customer segment information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

	Unaudited For the six months ended June 30, 2012 *RMB'000*	Audited For the six months ended June 30, 2011 *RMB'000*
(a) Revenue		
Revenue from the sale of motor vehicles	**8,396,369**	4,922,060
Others	**615,127**	311,268
	9,011,496	5,233,328
(b) Other income and gains, net		
Commission income	**68,796**	24,494
Advertisement support received from motor vehicle manufacturers	**5,863**	2,982
Rental income	**275**	—
Government grants	**1,748**	6,921
Interest income	**14,209**	2,395
Net gain on disposal of property, plant and equipment	**1,114**	294
Others	**1,666**	1,328
	93,671	38,414

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended June 30, 2012 *RMB'000*	Audited For the six months ended June 30, 2011 *RMB'000*
(a) Employee benefit expense (including directors' remuneration)		
Wages and salaries	**48,605**	37,581
Other welfare	**18,948**	11,578
	67,553	49,159
(b) Cost of sales and services		
Cost of sales of motor vehicles	**7,941,520**	4,552,403
Others	**318,598**	161,862
	8,260,118	4,714,265

	Unaudited For the six months ended June 30, 2012 *RMB'000*	Audited For the six months ended June 30, 2011 *RMB'000*
(c) Other items		
Depreciation of items of property, plant and equipment	**35,775**	29,962
Amortisation of land use rights	**638**	4,726
Amortisation of intangible assets	**202**	115
Advertisement and business promotion expenses	**51,224**	32,188
Bank charges	**7,111**	9,113
Lease expenses	**30,151**	22,088
Logistics and petroleum expenses	**12,598**	12,006
Office expenses	**4,854**	4,597

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2012 *RMB'000*	Audited For the six months ended June 30, 2011 *RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**142,819**	49,602
Interest expense on other borrowings	**2,501**	1,143
Less: Interest capitalised	**(9,749)**	(2,669)
	135,571	48,076

7. TAX

	Unaudited For the six months ended June 30, 2012 *RMB'000*	Audited For the six months ended June 30, 2011 *RMB'000*
Current Mainland China corporate income tax	**108,854**	78,250
Current Hong Kong corporate income tax	**478**	—
Deferred tax	**68**	(3,236)
	109,400	75,014

8. DIVIDENDS

The Board of the Company has resolved not to declare any interim dividend for the six months ended June 30, 2012 (six months ended June 30, 2011: Nil).

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

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue, during the six months ended June 30, 2012 and 2011, respectively.

	Unaudited For the six months ended June 30, 2012	Audited For the six months ended June 30, 2011
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**333,188**	204,013
Shares		
Weighted average number of ordinary shares in issue during the period	**2,528,740,000**	2,200,000,000

The weighted average number of ordinary shares used to calculate the basic earnings per share in the six months ended June 30, 2011 was 2,200,000,000, which were deemed to have been issued throughout the period.

	Unaudited For the six months ended June 30, 2012	Audited For the six months ended June 30, 2011
Earnings per share (RMB)		
Basic and diluted	**0.13**	0.09

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2012 and June 30, 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2012 and June 30, 2011.

10. INVENTORIES

	Unaudited June 30, 2012 *RMB'000*	Audited December 31, 2011 *RMB'000*
Motor vehicles	**2,313,989**	1,191,087
Spare parts and accessories	**99,988**	93,072
	2,413,977	1,284,159

11. TRADE RECEIVABLES

	Unaudited June 30, 2012 *RMB'000*	Audited December 31, 2011 *RMB'000*
Trade receivables	**194,595**	125,504

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize 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:

	Unaudited June 30, 2012 *RMB'000*	Audited December 31, 2011 *RMB'000*
Within 3 months	**149,980**	120,231
More than 3 months but less than 1 year	**39,939**	4,201
Over 1 year	**4,676**	1,072
	194,595	125,504

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited As at June 30, 2012			Audited As at December 31, 2011		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Current bank loans	**6.2–7.8**	**2012–2013**	**3,585,110**	5.8–11.8	2012	2,221,421
Current portion of long term bank loans	**6.7**	**2013**	**9,800**	6.7	2012	5,000
Other borrowings	**8.1–9.2**	**2012–2013**	**191,505**	7.6–9.2	2012	114,600
			3,786,415			2,341,021
Non-Current						
Long term bank loans	**6.7**	**2014**	**20,000**	6.7–7.0	2013–2014	29,800
			3,806,415			2,370,821

13. TRADE AND BILL PAYABLES

	Unaudited June 30, 2012 *RMB'000*	Audited December 31, 2011 *RMB'000*
Trade payables	**28,203**	32,961
Bills payable	**895,099**	1,141,953
Trade and bill payables	**923,302**	1,174,914

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

	Unaudited June 30, 2012 *RMB'000*	Audited December 31, 2011 *RMB'000*
Within 3 months	**911,100**	1,167,616
3 to 6 months	**10,837**	4,534
6 to 12 months	**73**	—
Over 12 months	**1,292**	2,764
	923,302	1,174,914

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

14. EVENTS AFTER THE REPORTING PERIOD

On August 29, 2012, the Company entered into the Sale and Purchase Agreement with the independent parties, pursuant to which the Company conditionally agreed to acquire, and the independent parties conditionally agreed to sell, the entire issued share capital of NCGA Holdings Limited. Upon completion of the acquisition, NCGA Holdings Limited will become a wholly-owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first six months of 2012, China economy maintained steady growth despite the serious domestic and international challenges. According to China National Bureau of Statistics, the Gross Domestic Product ("**GDP**") in China grew by 7.8% in the first half of 2012. During the same period, passenger vehicle market in China recorded moderate sales volume growth of 7.08% to 7.6135 million units, based on China Association of Automobile Manufactures. Against the less benign market environment, luxury and ultra-luxury cars continued to outperform. Audi, BMW and Jaguar & Land Rover posted strong volume growth in the first half of the year during which Audi saw sales volume in China increased by up 38% over the same period last year, to 193,871 units; BMW Group recorded sales volume of 158,956 units in China, representing 31% increase over a year ago; Jaguar & Land Rover nearly doubled its sales volume to 36,451 units. Nevertheless, the overall slowdown and intensive competition among car manufacturers compounded the short-term imbalances of supply and demand, which inevitably weighed on the pricing environment of luxury car market. Considering that the OEMs and dealers have intensified efforts at coordination, we believe the balance between demand and supply should be gradually improved in the second half of 2012.

The Chinese government continues to implement a proactive fiscal policy and a prudent monetary policy to maintain growth. At the same time, some auto-related preferential policies are expected to be launched. Together with strong roll out of new car models, these should boost the auto consumption sentiment. Therefore, we remain cautiously optimistic on the luxury and ultra-luxury cars sales performances in China for the second half of 2012.

BUSINESS OVERVIEW

Sustained expansion and optimization of strategic dealership network

We continued to enlarge our dealership network through organic growth and selective acquisitions, further strengthening our leading position in the existing markets and expanding into other developed regions. By the end of first half of 2012, our dealership network covers China's most affluent regions with highest luxury cars ownership, comprising 15 cities in six provinces and municipalities, i.e. Shanghai, Jiangsu, Zhejiang, Shandong, Tianjin and Liaoning. We have also established leading market positions in these markets. The strategic dealership network has generated significant economies of scale, benefiting our operations, human resources as well as financial resources and resulting in strong competitive advantages. For the first half of 2012, we added ten stores, of which four was Jaguar & Land Rover, one GMC, four BMW (including two mini). As of June 30, 2012, we had a total of 46 stores, consisting of 33 luxury brand dealership stores, two automobile customization centers, one certified collision damage assessment center in Shanghai and 10 mid-to-upper market brand dealership stores. In addition, we have had received certain OEMs' authorizations, conditional approvals and non-binding letters of intent to open luxury and ultra-luxury brand dealership stores, showrooms, used cars centers and repair centers. Accordingly, by the year end of 2012, we will further expand to Beijing, Guangdong, Yantai and Xi'an, etc, which are key markets for luxury and ultra-luxury cars in China.

Enhanced the leading market position and optimized luxury and ultra-luxury brand portfolio

We have always focused on luxury and ultra-luxury brands and strived to further optimize the brand portfolio. During the period under review, we added GMC, SAVANA, an American luxury conversion van brand. Our current luxury and ultra-luxury dealership brand portfolio includes BMW, MINI, Jaguar, Land Rover, Audi, GMC and Cadillac. In the first half of 2012, we sold a total of 20,795 units of cars, up 60.3% compared to the same period last year. Our sales volume of luxury and ultra-luxury brand cars grew by 80.6% during the same period last year to 14,451 units, which accounted for an increase from 61.7% to 69.5% of our total sales volume during the same period last year and an increase from 85.6% to 89.5% of our total sales value during the same period last year. The diversified brand portfolio will allow us to enrich our customer profiles, better cater for the strong consumption upgrade trend in the Chinese automobile market and improving our profitability. This will also consolidate our leading dealership position in China's luxury and ultra-luxury automobile industry.

Continuing to develop the after-sales business

Benefiting from the expanding dealership network and increasingly matured new stores, the customer base of our after-sales business continued to increase. Meanwhile, we focused on improving the efficiency of our repair and maintenance services, expanding the range of after-sales services we provide, offering customization services and selling automobile care products, etc. As a result, after-sales business reported a significant increase in our sales revenue. After-sales revenue grew by 97.6% to RMB615.1 million, accounting for 6.8% of our total revenue compared to 5.9% of the same period of last year. After-sales gross profit rose by 98.5% to RMB296.5 million, accounting for 39.5% of the total gross profit compared to 28.8% of the same period last year. The after-sales business has become one of the most important drivers of our operation and our profit growth. Owing to the rapid growth of luxury and ultra-luxury brand automobile sales in China, luxury cars penetration and ownership will grow steadily fast, which suggest a promising prospect for the after-sales business. Leveraging our growing customer base, a sufficient pool of talents support in providing the after-sales services as well as professional management system for the after-sales services, the after-sales business is expected to serve as an important and stable income source of our future development.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2012, our revenue was RMB9,011.5 million, representing a growth of approximately 72.2% compared to the same period of 2011. The increase was primarily due to an increase of RMB3,474.4 million, or 70.6%, in the automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period of 2011.

The table below sets out the Group's revenue for the periods indicated.

Revenue Source	**Unaudited For six months ended June 30, 2012** Revenue *(RMB'000)*	Contribution *(%)*	Audited For six months ended June 30, 2011 Revenue *(RMB'000)*	Contribution *(%)*
Automobile sales	**8,396,369**	**93.2**	4,922,060	94.1
After-sales business	**615,127**	**6.8**	311,268	5.9
Total	**9,011,496**	**100.0**	5,233,328	100.0

Revenue from the sale of automobiles increased by 70.6% due to (1) the increase in the number of dealerships from 36 at the end of 2011 to 46 as at June 30, 2012 and the increase in automobile sales which followed, and (2) continued sales growth from our more mature dealerships.

Automobile sales generated a substantial portion of our revenue, accounting for 93.2% of our revenue for the six months ended June 30, 2012. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 89.5% (six months ended June 30, 2011: 85.6%) and 10.5% (six months ended June 30, 2011: 14.4%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 97.6% from RMB311.3 million for the six months ended June 30, 2011 to RMB615.1 million for the same period in 2012. Revenue from our after-sales business was driven primarily by the demand for maintenance and repair services and the related sales of spare parts. The demand of the after-sales services and sales of spare parts were primarily influenced by the cumulative number of automobiles sold by us in the past and the relative maturity of the dealerships in our network.

Cost of sales and services

For the six months ended June 30, 2012, our cost of sales and services increased by 75.2%, from RMB4,714.3 million for the same period ended 2011 to RMB8,260.1 million. This increase was consistent with the growth in our sales throughout the six months ended June 30, 2012.

The cost of sales and services attributable to our automobile sales business amounted to RMB7,941.5 million for the six months ended June 30, 2012, accouting for an increase of RMB3,389.1 million, or 74.4%, from the same period in 2011. The cost of sales attributable to our after-sales business amounted to RMB318.6 million for the six months ended June 30, 2012, accounting for an increase of RMB156.7 million, or 96.8% from the same period in 2011.

Gross profit and gross profit margin

Gross profit for the six months ended June 30, 2012 was RMB751.4 million, accounting for an increase of RMB232.4 million or 44.8% from the same period in 2011. Gross profit from automobile sales increased by 23.0% from RMB369.7 million for the six months ended June 30, 2011 to RMB454.9 million for the same period in 2012, of which RMB84.5 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 98.5% from RMB149.4 million for the six months ended June 30, 2011 to RMB296.5 million for the same period in 2012. Automobile sales and after-sales business contributed 60.5% and 39.5% respectively to the total gross profit for the six months ended June 30, 2012.

Gross profit margin for the six months ended June 30, 2012 was 8.3% compared to 9.9% of the same period last year, of which the gross profit margin of automobile sales was 5.4% compared to 7.5% of the same period last year and of after-sales business was 48.2% compared to 48.0% of the same period last year. The decrease in gross profit margin in the six months ended June 30, 2012 was primarily due to the decrease in that of the sales of luxury and ultra-luxury automobiles (decreased from 8.2% for the six months ended June 30, 2011 to 5.7% for the same period in 2012), resulting from the imbalances of supply and demand, as well as the price competition in the luxury and ultra-luxury car market.

Other income and net gains

Other income and net gains, increased by 144.0% from RMB38.4 million for the six months ended June 30, 2011 to RMB93.7 million for the same period in 2012, primarily due to an increase in our commission income. The increase in our commission income was due to the increase in the amounts of automobile insurance policies sold through our dealerships and other additional services, such as automobile financing agency services and registering licences on our clients' behalf, etc.

Profit from operations

As a result of the foregoing, our operating profit for the six months ended June 30, 2012 increased by 71.3% from RMB334.7 million of the same period last year to RMB573.3 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended June 30, 2012 increased by 57.4% from RMB213.9 million of the same period last year to RMB336.7 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

For the six months ended June 30, 2012, our net cash used in operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB1,237.0 million compared to RMB259.9 million of the same period last year, RMB421.7 million compared to RMB203.0 million of the same period last year, and RMB1,216.5 million compared to RMB492.5 million of the same period last year, respectively.

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 initial public offering, the Board believes that our liquidity needs will be satisfied.

Net Current Assets

As at June 30, 2012, we had net current assets of RMB2,006.6 million, representing a decrease of RMB72.4 million from RMB2,079.0 million as at December 31, 2011.

Capital Expenditure

Our capital expenditures primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the six months ended June 30, 2012, our total capital expenditure was RMB470.0 million.

Inventory

Our inventories primarily consisted of new automobiles, spare parts and automobile accessories. Each of our dealerships individually manages its orders for new automobiles and after-sales products. We coordinated and aggregated orders for automobile accessories and other automobile-related products across our dealership network.

Our inventories increased by 88.0% from RMB1,284.2 million as of December 31, 2011 to RMB2,414.0 million as of June 30, 2012, primarily due to an increase in our inventory of new automobiles by 94.3% from RMB1,191.1 million as of December 31, 2011 to RMB2,314.0 million as of June 30, 2012. The increase in our inventories as at June 30, 2012 was due to (1) the increase in demand and sales volume in our dealership stores, (2) the increase in sales of luxury and ultra-luxury automobiles, and (3) the addition of 10 dealership stores which commenced operation during the six months ended June 30, 2012.

Our average inventory turnover days in the six months ended June 30, 2012 were 41.0 days, which is improved as compared with that of 43.7 days for the same period of 2011, which was primarily due to the effective control on the stock level of dealerships stores in the first half year of 2012, especially the newly opened stores.

Bank loans and other borrowings

As at June 30, 2012, the Group's available and unutilized banking facilities amounted to approximately RMB5,707.9 million (December 31, 2011: RMB2,555.0 million).

Our bank loans and other borrowings as at June 30, 2012 were RMB3,806.4 million, accouting for an increase of RMB1,435.6 million from RMB2,370.8 million as at December 31, 2011. The increase was due to our capital expenditures on new dealerships and an increase in working capital needs due to the opening of our new dealerships and increased sales at our other dealerships.

Contingent Liabilities

As at June 30, 2012, neither the Group nor the Company had any significant contingent liabilities.

The Pledge Assets of of the Group

Our Group had pledged our assets as securities for bank loans and other loans and banking facilities to finance daily business operation. As at June 30, 2012, the pledged group assets amounted to approximately RMB1,477.9 million compared to RMB1,538.2 million as at December 31, 2011.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended June 30, 2012 and at and before the date of this announcement.

FUTURE OUTLOOK AND STRATEGY

The Chinese luxury car market continues to benefit from the strong trading up trend. Currently, the automobile ownership rate in China, especially the ownership of luxury and ultra-luxury automobiles, is still far below the world average levels. Considering that the average vehicle replacement cycle in China generally is around 4–5 years, the rapid growth of the Chinese passenger vehicle market in past few years has laid a solid foundation for a rapid increase in the demand of luxury cars in the coming years. Together with the consumers' rising spending power and the expansion of product offerings by luxury automobile manufactures, we believe that the luxury and ultra-luxury automobile segment should continue to outperform the overall Chinese passenger vehicle market. At the same time, due to the rising automobile ownership and consumers' trend of trading-up demands for after-sales services are also resilient and growing steadily fast. We see promising prospects for luxury and ultra-luxury automobile sales and after-sales services, which are beneficial to us given our focus in the luxury and ultra-luxury 4S dealership business.

Leveraging our leading market positions in the existing brands, we will further optimize the brand portfolio by adding more luxury and ultra-luxury automobile brands with high growth potentials and high profits to cater for the growing demands resulting from the trading-up trend of the consumers. We will continue to expand our dealership network and brand offerings through organic growth and selective acquisitions to strengthen our leading positions in the existing markets and will continue to seek for opportunities to enter into new markets in rapidly growing economies and with strong spending power for luxury and ultra-luxury cars. We will enhance our market position as a leading luxury and ultra-luxury 4S dealership group in China by achieving high quality growth and optimizing brand portfolio.

We will also continue to focus on meticulous management, improving existing stores' sales and profitability. Our integrated group resources allow us to enjoy significant economies of scale; for newly acquired stores in the future, we will apply the Baoxin operating model, to maximise the operational and cost synergies and to achieve optimal returns.

The after-sales business has become our key focus of our business development and in profit growth in the coming years. Due to our increasingly mature dealership profile and the growing of our customer base from the new dealerships, the after-sales business which has a high profit margin is expected to sustain a rapid growth. We will open additional repair centers to capture the rising market demands and reallocate the workload among different dealerships within the same region to improve the capacity utilization rate. We will offer more automobile accessories and automobiles care products, as well as expand the scope of after-sales services to enhance our profitability. We will also continue to focus on extended services including used car sales, automobile insurance and financing, etc.

Looking ahead, we believe our years of experience in the luxury car dealership industry, a stable management team as well as a robust balance sheet will allow us to consolidate our position as a leading car dealer in the luxury and ultra-luxury car market.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has complied with the applicable code provisions on the Code on Corporate Governance Practices (effective until March 31, 2012) and the Corporate Governance Code (effective from April 1, 2012) (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended June 30, 2012 except for the following deviation. The CG Code is the new edition of the Code of Corporate Governance Practices and is applicable to financial reports covering a period from April 1, 2012.

Under the code provision A.6.7 of the CG Code, non-executive Directors and independent non-executive Directors should attend the general meetings of the Company. However, the non-executive Director, Mr. Zhang Yang and two independent non-executive Directors, Mr. Diao Jianshen and Mr. Wang Keyi were unable to attend the annual general meeting of the Company held on June 12, 2012 due to the business engagements.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 of the Listing Rules (the "**Model Code**") as the standards for the Directors in the dealing of the securities of the Company. The Company has made specific enquiries with all the Directors, confirming that they have complied with the required standards as set out in the Model Code throughout the six months ended June 30, 2012 and up to the date of this announcement.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2012 (six months ended June 30, 2011: Nil).

Audit Committee

The audit committee of the Company (the "**Audit Committee**") comprises 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. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2012.

PUBLICATION OF INTERIM 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 interim report of the Company for the six months ended June 30, 2012 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

Hong Kong, August 30, 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.