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BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code:1293)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012

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**", "**our Group**", "**we**" and "**us**") for the year ended December 31, 2012, as well as comparative figures for the corresponding period in 2011.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2012:

- Automobile sales volume increased by 46.6% to 43,253 units, and the relevant revenue increased by 49.2% to RMB16,797.7 million.
- After-sales revenue increased by 71.3% to RMB1,295.2 million.
- Net profit for the year increased by 18.1% to RMB727.1 million.
- Profit attributable to owners of parent increased by 18.9% to RMB715.9 million.
- Proposed a final dividend of HK$0.10 per ordinary share.

SUMMARY FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	3	**18,092,903**	12,010,929
Cost of sales and services provided		**(16,510,006)**	(10,721,181)
Gross profit		**1,582,897**	1,289,748
Other income and gains, net	4	**379,389**	93,756
Selling and distribution expenses		**(461,187)**	(256,629)
Administrative expenses		**(260,614)**	(166,977)
Profit from operations		**1,240,485**	959,898
Finance costs	5	**(336,906)**	(128,397)
Share of profit of a jointly-controlled entity		**14,443**	5,372
Profit before tax	6	**918,022**	836,873
Tax	7	**(190,942)**	(221,041)
Profit for the year		**727,080**	615,832
Attributable to:			
Owners of the parent		**715,893**	601,905
Non-controlling interests		**11,187**	13,927
		727,080	615,832
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic and diluted			
— For profit for the year (RMB)		**0.28**	0.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012	2011
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**727,080**	615,832
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**1,024**	(10,737)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**1,024**	(10,737)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**728,104**	605,095
Attributable to:		
Owners of the parent	**716,917**	591,168
Non-controlling interests	**11,187**	13,927
	728,104	605,095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**December 31, 2012** *RMB'000*	December 31, 2011 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,720,264**	798,995
Land use rights		**283,420**	174,624
Intangible assets		**984,575**	2,219
Prepayments		**163,627**	16,042
Goodwill		**75,674**	–
Investment in a jointly-controlled entity		**27,689**	13,246
Available-for-sale investment		**17,035**	–
Deferred tax assets		**55,486**	8,065
Total non-current assets		**4,327,770**	1,013,191
CURRENT ASSETS			
Inventories	*9*	**2,174,650**	1,284,159
Trade receivables	*11*	**1,352,173**	125,504
Prepayments, deposits and other receivables		**3,307,556**	2,022,874
Amounts due from related parties		**42,969**	37,835
Pledged bank deposits		**2,614,531**	399,416
Cash in transit		**88,166**	13,383
Cash and cash equivalents		**2,668,169**	2,884,038
Total current assets		**12,248,214**	6,767,209
CURRENT LIABILITIES			
Bank loans and other borrowings		**5,757,810**	2,341,021
Trade and bills payables	*12*	**4,414,598**	1,174,914
Other payables and accruals		**878,275**	346,494
Amounts due to related parties		**1,353**	626,680
Income tax payable		**168,437**	199,131
Total current liabilities		**11,220,473**	4,688,240
NET CURRENT ASSETS		**1,027,741**	2,078,969
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,355,511**	3,092,160
NON-CURRENT LIABILITIES			
Bank loans and other borrowings		**779,789**	29,800
Bonds		**365,566**	–
Deferred tax liabilities		**269,311**	8,535
Total non-current liabilities		**1,414,666**	38,335
NET ASSETS		**3,940,845**	3,053,825
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**20,836**	20,604
Reserves		**3,651,678**	2,997,149
Proposed final dividends	*10*	**207,321**	–
		3,879,835	3,017,753
Non-controlling interests		**61,010**	36,072
Total equity		**3,940,845**	3,053,825

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.

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 Company is an investment holding company. The Company and its subsidiaries are principally engaged in the sale and service of motor vehicles businesses.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue:

	2012	2011
	RMB'000	*RMB'000*
Revenue from the sale of motor vehicles	**16,797,703**	11,254,946
Others	**1,295,200**	755,983
	18,092,903	12,010,929

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 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 Mainland China and all of the Group's non-current assets other than deferred tax assets were located in 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 customer segment information is presented in accordance with HKFRS 8 *Operating Segments.*

4. OTHER INCOME AND GAINS, NET

	2012	2011
	RMB'000	*RMB'000*
Commission income	**95,907**	60,627
Advertisement support received from motor vehicle manufacturers	**19,827**	7,647
Rental income	**978**	1,525
Government grants	**19,973**	5,813
Interest income	**34,035**	5,809
Service fee income	**90,000**	–
Net (loss)/gain on disposal of items of property, plant and equipment	**(4,326)**	2,304
Provisional gain on bargain purchase *	**111,822**	–
Others	**11,173**	10,031
Total	**379,389**	93,756

* The Group acquired NCGA Holdings Limited and its subsidiaries (together, the "NCGA Group") during the year ended December 31, 2012. The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to NCGA Group's assets and liabilities. However, the appraisal was not finalized and hence, the initial accounting for the business combination of the NCGA Group is incomplete by the date of this results announcement. Therefore, the following amounts recognized in the Group's 2012 annual financial statements in relation to the acquisition of NCGA Group were on a provisional basis.

	Amount
	(RMB'000)
Intangible assets	941,041
Land use rights	112,407
Property, plant and equipment	746,680
Deferred tax liabilities	245,705
Provisional gain on bargain purchase	111,822

5. FINANCE COSTS

	2012 *RMB'000*	2011 *RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**329,734**	134,297
Interest expense on other borrowings	**17,935**	2,283
Less: Interest capitalised	**(10,763)**	(8,183)
	336,906	128,397

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2012 *RMB'000*	2011 *RMB'000*
(a) Employee benefit expense (including directors' and chief executive's remuneration):	**182,980**	110,900
(b) Cost of sales and services:	**16,510,006**	10,721,181
(c) Other items:		
Depreciation of items of property, plant and equipment	**121,902**	62,816
Amortisation of land use rights	**1,854**	3,088
Amortisation of intangible assets	**4,059**	238
Advertisement and business promotion expenses	**101,290**	55,226
Auditors' remuneration	**4,000**	4,000
Bank charges	**15,751**	17,585
Foreign exchange differences, net	**1,166**	24
Lease expenses	**76,309**	39,203
Logistics and petroleum expenses	**58,716**	26,700
Office expenses	**12,969**	10,257
Provisional gain on bargain purchase*	**(111,822)**	–

* Provisional gain on bargain purchase is included in "Other income and gains, net" in the consolidated income statement.

7. TAX

(a) Tax in the consolidated income statements represents:

	2012 *RMB'000*	2011 *RMB'000*
Current — Mainland China corporate income tax	**167,981**	214,636
Deferred tax	**22,961**	6,405
	190,942	221,041

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) nor carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to profits 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 subsidiaries incorporated in Mainland China are subject to corporate income tax at the rate of 25%.

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.

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**715,893**	601,905

	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year	**2,528,818,064**	2,216,211,836

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,528,818,064 (2011: 2,216,211,836) in issue during the year.

	2012	2011
	RMB	*RMB*
Earnings per share		
Basic	**0.28**	0.27

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

9. INVENTORIES

	December 31, 2012	December 31, 2011
	RMB'000	*RMB'000*
Motor vehicles	**1,944,504**	1,191,087
Spare parts and accessories	**230,146**	93,072
	2,174,650	1,284,159

Certain of the Group's inventories with an aggregate carrying amount of RMB298,746,000 (2011: RMB390,007,000) as at December 31, 2012 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 RMB1,201,571,000 (2011: RMB666,898,000) as at December 31, 2012 were pledged as security for the Group's bills payable.

10. DIVIDEND

	2012	2011
	RMB'000	*RMB'000*
Proposed final — HK$0.10 (2011: Nil) (approximately RMB0.08) per ordinary share	**207,321**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. TRADE AND BILLS RECEIVABLES

	December 31, 2012	December 31, 2011
	RMB'000	*RMB'000*
Trade receivables	**504,286**	125,504
Bills receivables	**847,887**	–
Trade and bills receivables	**1,352,173**	125,504

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 and bills receivables as at each reporting date (based on the invoice date, net of impairment) is as follows:

	December 31, 2012	December 31, 2011
	RMB'000	*RMB'000*
Within 3 months	**1,321,068**	120,231
More than 3 months but less than 1 year	**27,429**	4,201
Over 1 year	**3,676**	1,072
	1,352,173	125,504

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

	December 31, 2012	December 31, 2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,348,497**	124,432
Over one year past due	**3,676**	1,072
	1,352,173	125,504

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, 2012 *RMB'000*	December 31, 2011 *RMB'000*
Trade payables	**107,834**	32,961
Bills payable	**4,306,764**	1,141,953
Trade and bills payables	**4,414,598**	1,174,914

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

	December 31, 2012 *RMB'000*	December 31, 2011 *RMB'000*
Within 3 months	**4,117,606**	1,167,616
3 to 6 months	**291,068**	4,534
6 to 12 months	**1,671**	–
Over 12 months	**4,253**	2,764
	4,414,598	1,174,914

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

INDUSTRY OVERVIEW

With the impact of Europe debt crisis and the slower economic growth in China, 2012 was a challenging year to China's automobile market. According to the statistics and analysis from China Association of Automobile Manufacturers, the total production and sales volume of basic passenger vehicles (sedan) in 2012 was 10.8 million units and 10.7 million units respectively, representing a moderate year-on-year growth of 6.22% and 6.15%.

Despite a year of 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, the total sales volume of luxury and ultra-luxury automobiles generally increased: major brands such as BMW, Land Rover and Jaguar brands of Jaguar Land Rover PLC ("**Land Rover & Jaguar**") and Audi recorded the annual sales of automobiles in China of 326,000 units, 73,000 units and 406,000 units for 2012, representing a growth of 40.4%, 71.4% and 29.6% as compared to the previous year, and for various luxury and ultra-luxury brands, the Chinese market ranked top in the world in terms of sales volume. Nevertheless, the attractiveness of the Chinese automobile market had also led to the growth in dealership networks of every luxury and ultra-luxury brands in China. The competition among luxury and ultra-luxury brands has led to supply and demand imbalances as well as price fluctuations for new automobiles caused by price competitions, narrowing the profit margins for luxury 4S dealership groups.

With continued accumulation of household wealth and increase in disposable income, we believe the demand for luxury and ultra-luxury brand automobiles will continue to surge and the opportunities and potentials for the development of such automobile brands will be immense. In addition, as the automobile market in China develops and matures, together with the increase in general accumulation of luxury and ultra-luxury brand automobiles in China, we expect the market for after-sales services to continue to grow collaterally.

BUSINESS OVERVIEW

Rapid expansion in dealership network

We are a leading luxury and ultra-luxury automobile dealership group in China with broad coverage of brands and well established dealership network across the country. We have developed leading position in major luxury and ultra-luxury brands, especially for BMW and Land Rover & Jaguar, in terms of sales volume and number of dealership stores. As at December 31, 2012, we had a well-established network of 75 stores, consisting of 60 luxury and ultra-luxury brand dealership stores (including three dealership stores in trial operation), 11 mid to upper market brand dealership stores, two automobile customization centers, one certified collision damage assessment center and one after-sales service center.

Among the 75 stores, 16 new dealership stores, one certified collision damage assessment center, and three additional dealership stores which were in trial operations were formally launched by the Group during the year of 2012 (the "**New Dealership Stores**"). 12 4S dealership stores and eight showrooms were acquired through our acquisition of the entire share capital of NCGA Holdings Limited (the "**NCGA Acquisition**") pursuant to a sale and purchase agreement dated August 29, 2012, and two other dealership stores were acquired during the year of 2012. Out of the 75 stores, 39 stores have been opened for less than two years, 16 stores have been opened for two to five years and the remaining 20 stores have been opened for over five years.

With our large and strategically located dealership network, we have been able to achieve synergies among our stores that provide significant competitive advantages in China's highly fragmented automobile dealership industry. Our operating scale allows us to better manage our automobiles and spare parts inventory turnover, coordinate and aggregate our purchases of automobile accessories and other products and implement a systematic approach to train and promote talented personnel.

NCGA Acquisition

We have expanded our dealership network through selective acquisitions since 2012. We completed the NCGA Acquisition in December 2012, through which we added 20 luxury and ultra-luxury dealership stores (including 14 BMW dealership stores and four Land Rover & Jaguar dealership stores). In terms of automobile brands, the NCGA Acquisition added one Porsche dealership and one Volvo dealership to our portfolio of luxury and ultra-luxury automobile brands. For the year ended December 31, 2012, the sales volume of NCGA and its subsidiaries (the "**NCGA Group**") was 20,922 units and its revenue was RMB10,302.8 million, of which 90.9% was from the sales of automobile and 9.1% was from the after-sales service. The year of 2012 was a challenging year for the NCGA Group and its profitability was substantially affected by its increasingly high level of labor, financial costs and administrative expenses. Following on the completion of the NCGA Acquisition, the Group has commenced restructuring of the NCGA Group to enhance its cost control, improve its operation efficiency and thus optimizing its revenue and profitability.

Expansion of geographical coverage and brand portfolio

During the year ended December 31, 2012, the geographic network of the group has expanded by way of organic growth and by acquisition. In terms of organic growth, we have expanded our geographic coverage by opening stores in Guangdong Province (Dongguan) and Shaanxi Province (Xi'an), all of which are new to the Group's geographical portfolio. Through the NCGA Acquisition, we further expanded our geographical presence in northeastern, northern and western China, including Beijing, Hebei Province, Liaoning Province, Shaanxi Province and Xinjiang Uyghur Autonomous Region. The substantial majority of our dealership stores are strategically located in populous and affluent coastal regions in China with rapidly growing local economies, such as Beijing, Shanghai, Tianjin, Jiangsu Province, Zhejiang Province, Shandong Province, Liaoning Province and Guangdong Province.

During the year ended December 31, 2012, we have continued in expanding and strengthening our brand portfolio. We established cooperation relation with various top luxury brands in the world and successfully added five luxury and ultra-luxury brands into our portfolio in 2012, making a total of 11 luxury and ultra-luxury brands. The newly introduced brands include Ferrari, Maserati, Porsche, Volvo and GMC. Besides the new additions, our brand portfolio includes luxury brands such as BMW, MINI, Audi and Cadillac, ultra-luxury brands such as the Land Rover and Jaguar, as well as other popular mid-to-upper market brands, such as Buick, Toyota, Honda, Nissan, Volkswagen, Chevrolet and Hyundai.

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 automobile sales and after-sales business for the year ended December 31, 2012. Our revenue from sales of automobiles for the year ended December 31, 2012 was RMB16,797.7 million, representing a growth of approximately 49.2%. The sales of luxury and ultra-luxury automobile contributed to 89.7% of our total automobile revenue for the year. In terms of sales volume, we sold 43,253 units of automobile in the year ended December 31, 2012, an increase of 13,754 units, or 46.6%, from 29,499 units of automobiles for the same period ended 2011. The sales volume of luxury and ultra-luxury automobile contributed to 69.8% of our total sales volume for the year ended December 31, 2012 (2011: 60.8%). For the year ended December 31, 2012 we sold 30,175 units of luxury and ultra-luxury automobile, representing an increase of 12,240 units, or 68.2%, from 17,935 units for the same period ended 2011.

	Year ended December 31,			
	2012		2011	
Automobile sales volume	**Volume** ***(units)***	**Contribution** ***(%)***	Volume *(units)*	Contribution *(%)*
Luxury and ultra-luxury brands	**30,175**	**69.8**	17,935	60.8
Mid-to-upper market brands	**13,078**	**30.2**	11,564	39.2
Total	**43,253**	**100.0**	29,499	100

Enhanced after-sales services

The Group has always placed great emphasis on its after-sales service business as an important and stable income source of its future development. During the year ended December 31, 2012, the Group optimized and realized the revenue from same-store after-sales services by implementing advanced and efficient management systems, improving services quality, broadening the scope of services and improving the skills and efficiency of our after-sales personnel. In addition, the Group has also established networks of diversified network of after-sales service structure, such as showrooms, maintenance and repair center and second-hand automobile mobile center, to supplement our 4S dealership stores. Further, our after-sales customer base also augmented throughout the year as our stores mature and sale of new automobiles accumulate. As a result, we recorded a growth in revenue from our after-sales services. For the year ended December 31, 2012, the revenue from after-sales services reached RMB1,295.2 million, representing an increase of 71.3% as compared to that of 2011. The revenue from after-sales service for luxury and ultra-luxury brands was RMB1,060.8 million, representing an increase of 94.0% from RMB546.7 million from 2011, and contributed to 81.9% of the total after-sales revenue.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2012, our revenue was RMB18,092.9 million, representing a growth of approximately 50.6%. The increase was primarily due to an increase of RMB5,542.8 million, or 49.2%, in revenue from the automobile sales, particular from the sales of luxury and ultra-luxury automobiles, compared to that of 2011.

The following table sets forth a breakdown of our revenue for the period indicated.

	Year ended December 31,			
	2012		2011	
Revenue Source	**Revenue** ***(RMB'000)***	**Contribution** ***(%)***	Revenue *(RMB'000)*	Contribution *(%)*
Automobile Sales	**16,797,703**	**92.8**	11,254,946	93.7
Luxury and ultra-luxury brands	**15,067,605**	**89.7**	9,632,667	85.6
Mid-to-upper market brands	**1,730,098**	**10.3**	1,622,279	14.4
After-sales Business	**1,295,200**	**7.2**	755,983	6.3
Total Revenue	**18,092,903**	**100.0**	12,010,929	100

Revenue from the sales of automobiles increased by 49.2% 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 92.8% of our revenue for the year ended December 31, 2012. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 89.7% (2011: 85.6%) and 10.3% (2011: 14.4%) respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 71.3% from RMB756.0 million for the year ended December 31, 2011 to RMB1,295.2 million for the same period in 2012. 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 continued market penetration of luxury and ultra-luxury automobile in the markets where we operate, cumulative number of automobiles sold by us in the past and the relative maturity of the stores in our network. The relative contribution of our after-sales business to our revenue increased from 6.3% in 2011 to 7.2% in 2012.

Cost of sales and services

For the year ended December 31, 2012, our cost of sales and services increased by 54.0%, from RMB10,721.2 million for the same period ended 2011 to RMB16,510.0 million. This increase is basically consistent with the growth in our sales throughout the year ended December 31, 2012.

The cost of sales and services attributable to our automobile sales business amounted to RMB15,832.9 million for the year ended December 31, 2012, an increase of RMB5,501.3 million, or 53.2%, from the same period in 2011. The cost of sales attributable to our after-sales business amount to RMB677.1 million for the year ended December 31, 2012, an increase of RMB287.5 million, or 73.8% from the same period in 2011.

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2012 was RMB1,582.9 million, an increase of RMB293.2 million or 22.7% from the same period in 2011. Gross profit from automobile sales increased by 4.5% from RMB923.4 million for the year ended December 31, 2011 to RMB964.8 million for the same period in 2012. Gross profit from after-sales business increased by 68.7% from RMB366.4 million for the year ended December 31, 2011 to RMB618.1 million for the same period in 2012. As of December 31, 2012, the contribution to gross profit from automobile sales and after-sales business accounted for 61.0% and 39.0% respectively of the total gross profit for the year.

Gross profit margin for the year ended December 31, 2012 was 8.7% (2011: 10.7%), of which the gross profit margin of automobile sales was 5.7% (2011: 8.2%) and of after-sales business was 47.7% (2011: 48.5%). The significant decrease in gross profit margin of automobile sales as compared to the previous year was due to a drop in sales prices of automobile caused by price competitions within the domestic market. The opening of more new stores during the year ended December 31, 2012, which generally has less mature after-sales business and therefore operates at a relatively higher cost also led to the moderate decrease in gross profit margin of after-sales business.

Other income and gains, net

Other income and gains, net, increased by 304.5% from RMB93.8 million for the year ended December 31, 2011 to RMB379.4 million for the same period in 2012, primarily due to an increase in the service fee income, commission income and a provisional gain on bargain purchase arising from the NCGA Acquisition. Our commission income increased due to provision of additional services, such as automobile financing agency services, licences registration agent services and etc.. Further, our commission income has also increased due to an increase in the amounts of automobile insurance policies sold through our dealership stores.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended December 31, 2012, which included a provisional gain on bargain purchase arising from the NCGA Acquisition of approximately RMB111.8 million, increased by 29.2% from RMB959.9 million to RMB1,240.5 million, from the same period in 2011.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended December 31, 2012, which included a provisional gain on bargain purchase arising from the NCGA Acquisition of approximately RMB111.8 million, increased by 18.1% from RMB615.8 million to RMB727.1 million, from the same period in 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

As at December 31, 2012, we had cash and cash equivalents amounted to RMB2,668.2 million, representing a decrease of 7.5% from RMB2,884.0 million in the year ended December 31, 2011.

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, 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 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, 2012, our net cash generated from operating activities, net cash used in investing activities, and net cash generated from financing activities was RMB79.3 million (2011: RMB332.8 million of net cash used in operating activities), RMB1,983.5 million (2011: RMB693.1 million), and RMB1,687.3 million (2011: RMB3,536.3 million) respectively.

Net current assets

As at December 31, 2012, we had net current assets of RMB1,027.7 million, representing a decrease of RMB1,051.3 million from our net current assets of RMB2,079.0 million as at December 31, 2011. This change was primarily due to the payment of the consideration for the NCGA Acquisition and offset by the inclusion of the acquired assets upon consolidation as a result of the NCGA Acquisition.

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, 2012, our total capital expenditure was RMB1,325.3 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 69.3% from RMB1,284.2 million as of December 31, 2011 to RMB2,174.7 million as of December 31, 2012, primarily due to (i) the addition of dealership stores which commenced operation during the year ended December 31, 2012, and (ii) the inclusion of the acquired inventories upon consolidation as a result of the NCGA Acquisition.

Our average inventory turnover days in the year ended December 31, 2012 increased to 38.2 days from 34.4 days in 2011, 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

As at December 31, 2012, the Group's available and unutilized banking facilities amounted to approximately RMB4,732.0 million.

Our bank loans and other borrowings as at December 31, 2012 were RMB6,537.6 million, an increase of RMB4,166.8 million from RMB2,370.8 million as at December 31, 2011. The increase was due to (i) our capital expenditures on new stores and increased working capital requirements due to our new stores and increased sales at our other stores; and (ii) increase in borrowings of approximately RMB1,333.1 million for the NCGA Acquisition.

Contingent liabilities

As at December 31, 2012, the Company's contingent liabilities not provided for in the financial statements was RMB223.9 million (2011: nil) which were guarantees given to banks in connection with facilities granted to third parties.

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letter of credits as securities for bank and other loan and banking facilities which were used to finance daily business operation and acquisition. As at December 31, 2012, the pledged group assets amounted to approximately RMB4,304.5 million (2011: RMB1,538.2 million); the pledged letter of credits with aggregate credit amount of approximately RMB1,410.0 million (2011: Nil) and pledged entire shares in NCGA Holdings Limited, Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd. (2011: None).

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

During the year ended December 31, 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

APPLICATION OF IPO PROCEEDS

The Company's shares were listed on the Stock Exchange on December 14, 2011. The net proceeds from the Company's listing were approximately RMB2,167.7 million after deduction of related expenses. All of the net proceeds were utilized in the matter consistent with that mentioned in the Prospectus under the section headed "Future Plans and Use of Proceeds".

OUTLOOK

Looking forward, we expect China's economy continue to grow together with the wealth of its population. As wealth redistributes and evens out among the Chinese population, given the currently low market penetration rate of the luxury and ultra-luxury passenger vehicle sector, we are confident that demand for luxury and ultra-luxury passenger vehicles will continue to boom in the coming years.

Our Group will continue to focus on luxury and ultra-luxury brands and strengthen our leading position in key luxury and ultra-luxury brands. We will continue to seek opportunities to expand through further organic expansion and selective acquisitions in existing and new areas and to diversify our portfolio of luxury and ultra-luxury automobile brands. On the other hand, for the successful acquisitions that we have completed, we shall continue on integrating the acquired companies into the Group's operation, and restructuring and refining its operations with a view to optimize revenue and profitability of these companies.

With our extensive experience and skill in operating luxury and ultra-luxury automobile dealership, we have established very strong relationships with leading automobile manufacturers, including BMW and Land Rover & Jaguar. Going forward, we will not only strengthen our existing relationship with the luxury and ultra-luxury auto manufacturers, but also broaden our cooperation networks.

While developing our main business, the Group will continue to develop our businesses of automobile financing, automobile leasing and second hand automobile market, which we believe further promotes the growth of the luxury and ultra-luxury automobile market.

For the collaterally booming after-sales services market, we will continue to increase our after-sales service capacity, expand our service scope, and improve operational efficiency to increase overall after-sales revenue as well as revenue per store and profitability. We also aim to establish more authorized after-sales service centers for luxury and ultra-luxury brands particularly in tier 1 and 2 cities in China in order to meet the increasing service demand and to capture such market share.

From internal operation perspective, we will continue to implement stringent inventory management and cost control policies, improve capital structure and efficiency, and strengthen the training program and management of our employees. We believe that our well-established relationship with the automobile manufacturers, superior industry experience and 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

Throughout the year ended December 31, 2012, the Company complied with all code provisions, and where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (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**") (applicable to financial reports covering a period after April 1, 2012) and the former CG Code from January 1, 2012 to March 31, 2012, with the exception of code provisions A.2.1 and A.6.7.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Our chairman, Mr. Yang Aihua, is responsible for the operation and management of the Board of Directors, whilst our president, Mr. Yang Hansong, is responsible for the business operations of the Company. The Board is of the view that there are clear delineation of the responsibilities between the chairman and the president and therefore it is not necessary to set out in writing.

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Zhang Yang, a non-executive director, Mr. Diao Jianshen, and Mr. Wang Keyi, both independent non-executive Directors, did not attend the annual general meeting of the Company held on June 12, 2012 due to other personal 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 set out in Appendix 10 to the Listing Rules (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, 2012.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.10 per ordinary share for the year ended December 31, 2012 (the "**2012 Final Dividend**") (2011: nil). The proposed dividend payment is subject to shareholder approval. If approved by shareholders, the 2012 Final Dividend is expected to be paid on or about July 11, 2013 to shareholders whose names shall appear on the register of members of the Company on July 4, 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from July 2, 2013 to July 4, 2013, both dates inclusive, for the purpose of ascertaining the shareholders' entitlement to the 2012 Final Dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2012 Final Dividend, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 pm on June 28, 2013.

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, 2012, and is of the view that the Group's consolidated financial statements for the year ended December 31, 2012 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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, 2012 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 27, 2013

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.