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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2014

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, 2014, as follows:

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2014:

- Revenue increased by 8.6% to RMB16,285.0 million as compared to the corresponding period in 2013, especially the after-sales revenue, which increased by 19.8% to RMB1,682.1 million.

- Gross profit increased by 8.0% to RMB1,588.6 million as compared to the corresponding period in 2013.

- Profit attributable to owners of the parent increased by 7.0% to RMB547.1 million as compared to the corresponding period in 2013.

- Basic earnings per share increased by 7.0% to RMB0.21 as compared to the corresponding period in 2013.

SUMMARY OF INTERIM FINANCIAL RESULTS

CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	**Unaudited For the six months ended June 30, 2014** *RMB'000*	Unaudited For the six months ended June 30, 2013 *RMB'000*
REVENUE	*4(a)*	**16,285,022**	15,001,877
Cost of sales and services provided	*5(b)*	**(14,696,471)**	(13,531,195)
Gross profit		**1,588,551**	1,470,682
Other income and gains, net	*4(b)*	**201,772**	169,274
Selling and distribution costs		**(440,498)**	(436,995)
Administrative expenses		**(314,043)**	(290,548)
Profit from operations		**1,035,782**	912,413
Finance costs	*6*	**(285,684)**	(238,455)
Share of profit of a joint venture		**3,392**	4,522
Profit before tax	*5*	**753,490**	678,480
Income tax expense	*7*	**(193,562)**	(158,639)
Profit for the period		**559,928**	519,841
Attributable to:			
Owners of the parent		**547,074**	511,282
Non-controlling interests		**12,854**	8,559
		559,928	519,841
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For profit for the period *(RMB)*	*9*	**0.21**	0.20

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended June 30, 2014 *RMB'000*	Unaudited For the six months ended June 30, 2013 *RMB'000*
Profit for the period	**559,928**	519,841
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(7,825)**	9,936
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(7,825)**	9,936
Other comprehensive income for the period, net of tax	**(7,825)**	9,936
Total comprehensive income for the period	**552,103**	529,777
Attributable to:		
Owners of the parent	**539,249**	521,218
Non-controlling interests	**12,854**	8,559
	552,103	529,777

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited June 30, 2014** *RMB'000*	Audited December 31, 2013 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,702,794**	3,310,388
Prepaid land lease payment		**370,488**	375,619
Intangible assets		**943,711**	943,206
Prepayments		**445,415**	402,960
Goodwill		**100,023**	75,674
Investment in a joint venture		**41,625**	38,233
Available-for-sale investment		**16,676**	16,518
Deferred tax assets		**75,170**	59,219
Total non-current assets		**5,695,902**	5,221,817
CURRENT ASSETS			
Inventories	*10*	**3,932,791**	3,002,286
Trade receivables	*11*	**476,244**	556,939
Prepayments, deposits and other receivables		**5,525,775**	4,168,968
Amounts due from related parties		**40,835**	41,188
Pledged bank deposits		**1,832,124**	2,769,886
Cash in transit		**76,253**	89,716
Cash and cash equivalents		**1,574,039**	2,020,926
Total current assets		**13,458,061**	12,649,909
CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**5,094,568**	5,857,684
Trade and bills payables	*13*	**4,840,882**	4,364,349
Other payables and accruals		**667,889**	722,036
Income tax payable		**452,595**	340,055
Dividends payable		**304,480**	–
Total current liabilities		**11,360,414**	11,284,124
Net current assets		**2,097,647**	1,365,785
Total assets less current liabilities		**7,793,549**	6,587,602

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited June 30, 2014** *RMB'000*	Audited December 31, 2013 *RMB'000*
NON-CURRENT LIABILITIES			
Bank loans	*12*	**2,095,146**	1,164,144
Bonds	*14*	**388,174**	374,632
Deferred tax liabilities		**330,162**	325,561
Total non-current liabilities		**2,813,482**	1,864,337
Net assets		**4,980,067**	4,723,265
EQUITY			
Equity attributable to owners of the parent			
Share capital		**20,836**	20,836
Reserves		**4,893,228**	4,345,395
Proposed final dividend		**–**	303,885
		4,914,064	4,670,116
Non-controlling interests		**66,003**	53,149
Total equity		**4,980,067**	4,723,265

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL 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, 2014 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 annual financial statements for the year ended December 31, 2013, 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 18, 2014. These condensed consolidated interim financial statements have not been audited.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2013, except for the adoption of the new standards and interpretations as of January 1, 2014, noted below.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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

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 Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 — *Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after July 1, 2014
2 Effective for annual periods beginning on or after January 1, 2016
3 Effective for annual periods beginning on or after January 1, 2017
4 No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 nearly all of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and nearly 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, 2014, no major customers 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, 2014 *RMB'000*	Unaudited For the six months ended June 30, 2013 *RMB'000*
(a) Revenue		
Revenue from the sale of motor vehicles	**14,602,903**	13,597,645
Others	**1,682,119**	1,404,232
	16,285,022	15,001,877
(b) Other income and gains, net		
Commission income	**170,566**	122,151
Advertisement support received from motor vehicle manufacturers	**3,185**	5,771
Rental income	**3,807**	537
Government grants	**3,571**	1,688
Interest income	**15,984**	17,109
Net loss on disposal of items of property, plant and equipment	**(67)**	(1,915)
Foreign exchange gain	**–**	13,749
Gains on disposal of a subsidiary	**–**	2,212
Others	**4,726**	7,972
	201,772	169,274

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended June 30, 2014 *RMB'000*	Unaudited For the six months ended June 30, 2013 *RMB'000*
(a) Employee benefit expense (including Directors' remuneration)		
Wages and salaries	**190,983**	164,189
Other welfare	**92,932**	75,033
Equity-settled share option expense	**8,584**	4,430
	292,499	243,652
(b) Cost of sales and services		
Cost of sales of motor vehicles	**13,818,541**	12,799,338
Others	**877,930**	731,857
	14,696,471	13,531,195
(c) Other items		
Depreciation of items of property, plant and equipment	**145,686**	98,958
Amortisation of land use rights	**3,116**	2,714
Amortisation of intangible assets	**19,904**	24,024
Advertisement and business promotion expenses	**76,921**	94,915
Bank charges	**29,619**	41,160
Lease expenses	**74,715**	84,529
Logistics and gasoline expenses	**40,757**	29,120
Office expenses	**11,557**	11,131

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2014 *RMB'000*	Unaudited For the six months ended June 30, 2013 *RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**288,355**	241,178
Interest expense on other borrowings	**1,484**	4,635
Interest expense on bonds	**10,066**	10,243
Less: Interest capitalised	**(14,221)**	(17,601)
	285,684	238,455

7. INCOME TAX EXPENSE

	Unaudited For the six months ended June 30, 2014 *RMB'000*	Unaudited For the six months ended June 30, 2013 *RMB'000*
Current:		
Mainland China corporate income tax	**208,943**	172,889
Deferred tax	**(15,381)**	(14,250)
Total tax charge for the period	**193,562**	158,639

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% (six months ended June 30, 2013: 16.5%) during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate is 25% (six months ended June 30, 2013: 25%).

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2014 (six months ended June 30, 2013: 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, 2014 and 2013, respectively.

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	Unaudited For the six months ended June 30, 2014	Unaudited For the six months ended June 30, 2013
Earnings		
Profit attributable to ordinary equity holders of the parent *(RMB'000)*	**547,074**	511,282
Shares		
Weighted average number of ordinary shares in issue during the period	**2,557,311,429**	2,557,311,429
Earnings per share		
Basic and diluted *(RMB)*	**0.21**	0.20

10. INVENTORIES

	Unaudited June 30, 2014 ***RMB'000***	Audited December 31, 2013 *RMB'000*
Motor vehicles	**3,598,435**	2,694,793
Spare parts and accessories	**334,356**	307,493
	3,932,791	3,002,286

11. TRADE RECEIVABLES

	Unaudited June 30, 2014 ***RMB'000***	Audited December 31, 2013 *RMB'000*
Trade receivables	**476,244**	556,939

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not offer any credit to the Group's customers for automobile purchases or for out-of-warranty repairs that are not covered by insurance. However, the Group generally provides a credit term of two to three months to automobile manufacturers for the reimbursement of costs relating to the in-warranty repair services. 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.

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

	Unaudited June 30, 2014 *RMB'000*	Audited December 31, 2013 *RMB'000*
Within 3 months	**392,457**	500,320
More than 3 months but less than 1 year	**70,443**	47,026
Over 1 year	**13,344**	9,593
	476,244	556,939

Trade receivables are non-interest-bearing.

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited As at June 30, 2014			Audited As at December 31, 2013		
	Effective interest rate *(%)*	**Maturity**	*RMB'000*	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans	**5.5**	**on demand**	**226,635**	5.5	on demand	222,068
	2.3–2.5	**2014–2015**	**506,884**	1.9	2014	153,857
				5.6–9.4	2014	4,075,550
	5.0–7.4	**2014–2015**	**3,712,411**	Libor+1.1%	2014	670,697
	Libor+1.3%	**2014**	**104,598**	Libor+3.0%	2014	304,845
Current portion of long term bank loans	**6.8–7.4**	**2014**	**45,000**	6.8–7.4	2014	50,000
	Libor+3.5%	**2015**	**307,640**			
Other Borrowings	**6.5–9.4**	**2014–2015**	**191,400**	6.3–10.3	2014	380,667
			5,094,568			5,857,684
Non-Current						
Bank loans	**Libor+3.0%**	**2015**	**11,789**	Libor+3.0%	2015	11,570
	Libor+3.7%	**2016**	**1,028,160**	Libor+3.7%	2015–2016	1,012,574
	Libor+3.5%	**2015-2016**	**915,367**			
	6.8	**2015**	**139,830**	6.8	2015	140,000
			2,095,146			1,164,144
			7,189,714			7,021,828

13. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2014 *RMB'000*	Audited December 31, 2013 *RMB'000*
Trade payables	**139,069**	120,040
Bills payable	**4,701,813**	4,244,309
Trade and bills payables	**4,840,882**	4,364,349

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

	Unaudited June 30, 2014 *RMB'000*	Audited December 31, 2013 *RMB'000*
Within 3 months	**4,549,846**	4,227,539
3 to 6 months	**281,713**	131,677
6 to 12 months	**971**	300
Over 12 months	**8,352**	4,833
	4,840,882	4,364,349

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

14. BONDS

As at June 30, 2014, outstanding bonds are summarised as follows:

	Face value *USD'000*	**Maturity**	**Fixed interest rate**	**Unaudited June 30, 2014** *RMB'000*	**Audited December 31, 2013** *RMB'000*
Bonds	58,160	2017	5.65%	388,174	374,632

15. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company or by the Group after June 30, 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

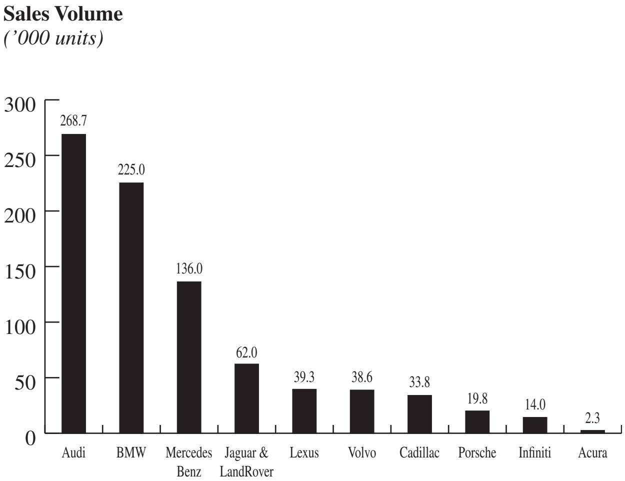
INDUSTRY OVERVIEW

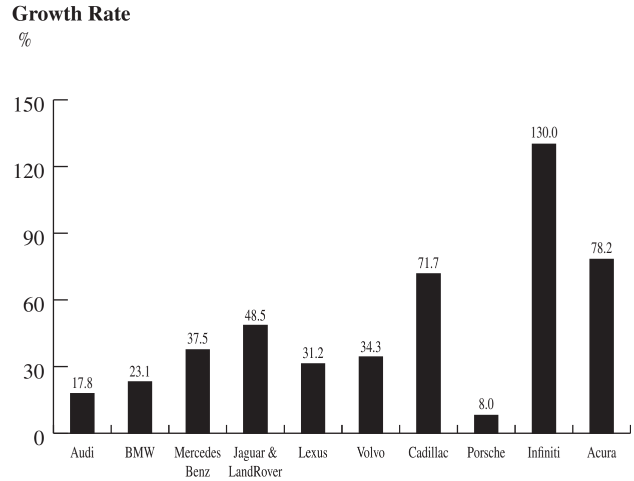
China's macro economy continued to slow down in the first half of 2014, with GDP growth at 7.4%, representing the lowest growth since the global financial crisis in 2008. The focus of China's macro policy has been on structural reform in both the political and economic systems. Fixed asset investment also continued to slow down, and property trading volume and prices have weakened. Despite these circumstances, consumption has shown solid growth, contributing to 54% of the GDP growth. In particular, China's automobile industry recorded a stable growth. According to the China Association of Automobile Manufacturers, China's automobile production and sales volumes for the first six months of 2014 were 11.8 million units and 11.7 million units respectively, representing year-on-year growths of 9.6% and 8.4% respectively. Passenger vehicle production and sales volumes were 9.7 million units and 9.6 million units respectively, representing year-on-year increases of 12.1% and 11.2% respectively. The SUV category continued to deliver strong growth and saw a sales volume of 1.8 million units, or a 37.1% increase in comparison with the same period in 2013.

China's luxury vehicle market sustained a rapid growth in the first half of 2014, representing a 26% increase compared with the same period in 2013[1]. The share of luxury automobile in overall passenger vehicle sales volume grew from 7.6% to 8.7% compared with the same period in 2013. Two German luxury automobile brands, namely Audi and BMW, remained the top two best-sellers. Audi recorded sales of 268,700 vehicles, representing a year-on-year growth of 17.8%; and BMW (including Mini) recorded sales of around 225,000 vehicles, representing a year-on-year growth of 23.1%. Jaguar Land Rover showed strong sales performance in the first half of 2014 by selling a total of 62,500 vehicles, representing a 48.2% year-on-year growth. It is expected that Jaguar Land Rover will be domestically manufactured in China by the end of 2014, and will further expand its market share in China's luxury vehicle market. Separately, Lexus, Volvo, Cadillac, Infiniti and Maserati achieved growth rates of over 30%, while Cadillac and Infiniti achieved significant growth rates of 71.7% and 130.0% respectively.

[1] Source: Auto manufacturers.

The tables below show the sales volume and sales growth rate of the top 10 luxury brands for the first half of 2014.





According to the National Bureau of Statistics of the PRC, as at the end of 2013, civil car ownership in China reached 126.7 million vehicles, and luxury car penetration rate remains low. To tap the full potential of the Chinese market, luxury car manufacturers have expressed their intention to continue the expansion of their dealership network in China, especially in the less developed central and western regions, as well as Tier 4 and 5 cities. For Tier 1 and 2 cities such as Beijing, Shanghai and Shenzhen, luxury brands have essentially completed their retail lineup, and will adjust their distribution network according to market demands. Other tactics employed by luxury automobile manufacturers in promoting market growth include tailoring their products and services to satisfy the needs of Chinese consumers, such as offering more entry-level, mid-end and SUV models, as well as providing bespoke designs combined with a variety of configuration options and flexible automobile purchase financing schemes.

China's pre-owned vehicle market has been growing steadily since 2009, but is still in a preliminary stage with huge growth potential. According to China Automobile Dealers Association, in the first half of 2014, China's pre-owned vehicle market recorded cumulative trading volume of 2.8 million units, representing a year-on-year increase of 12.8%, and a ratio of 1:4 between used and new vehicle sales. China's pre-owned vehicle market is highly fragmented, with many small pre-owned vehicle dealers competing in each region. The lack of reliable pre-owned vehicle assessment agencies also affects consumers' confidence in purchasing pre-owned vehicles, as there is no clear benchmark for fair pricing. The absence of auto-financing and vehicle services warranty further limits the development of pre-owned vehicle market.

With continuous growth in new vehicle sales and vehicle parc in recent years, shortening vehicle ownership cycles, as well as further development in automobile leasing and the financial leasing market, it is expected that the supply of pre-owned vehicles will maintain strong growth. In addition, the implementation of vehicle purchase restrictions in Tier 1 and 2 cities is expected to further prompt vehicle owners to sell instead of keeping their old vehicles. From a supply-demand point of view, the demand for pre-owned vehicles will likely continue to grow as the market further matures and consumers' spending attitudes change.

BUSINESS OVERVIEW

Since 2012, both China's macro-economy and the auto industry have been undergoing structural changes, resulting in both challenges and opportunities for the Chinese auto dealers. In this turbulent market, we have reconsidered our business strategy and re-evaluated our growth model and business opportunities. We have also been relentless in improving our management quality and refining our operational structure.

Brand and network development strategies

In the first six months of 2014, we continued to strengthen our leading position in the luxury and ultra-luxury automobile market in China through expanding our market share in key strategic brands, strategically building dealership networks, and deepening our cooperation with core luxury and ultra-luxury OEMs in auto financing and pre-owned vehicle businesses. We continued to be one of the top dealer groups for BMW and Jaguar & Land Rover in terms of sales volume, number of dealership stores and network coverage. With the network expansion of Ferrari/Maserati in 2013, we also became one of the largest dealer groups and increased our market share significantly in Ferrari/Maserati in China. In June 2014, we received the first dealership authorization from Rolls Royce, further expanding our brand coverage in the ultra-luxury sector. Furthermore, we established strategic partnership with BMW Finance, and will together develop auto financing and financial leasing businesses in China. With Volvo, we have explored opportunities in on-line sales of certain new vehicles.

Regarding network expansion, we have continuously improved the efficiency of capital investment by carefully selecting the brand and location of our the stores, managing capital expenditure stringently and adopting more variety of store forms. As at June 30, 2014, our sales network, both established and under construction, expanded to 91 stores, consisting of 77 luxury and ultra-luxury brand dealership stores, 9 mid-to-upper brand dealership stores, 2 automobile customization centers, 1 certified collision damage assessment center and 2 after-sales service centers. Out of the 91 stores, there are 11 stores under construction, including 9 luxury and ultra-luxury 4S dealership stores and 2 showrooms. For luxury and ultra-luxury dealerstores, the brands include BMW, MINI, Jaguar & Land Rover, Rolls Royce, Porsche, Volvo and Infiniti. We will control the construction progress and launch openings for these stores according to market condition. In addition to constructing new stores, we have also expanded 3 BMW 4S dealerstores from single-brand stores to dual-brand stores which sell both BMW and MINI brands. In addition to stores under construction, the Group held in total 14 authorizations for brands including Ferrari/Maserati, Jaguar & Land Rover, Audi, Infiniti, and Volvo in the first half of 2014 and will build up these dealerships in the next two to three years. All the stores under construction and the authorizations are primarily located in Tier 1, 2 and 3 cities, covering both coastal regions as well as central northern and northwestern regions, such as Beijing, Shanghai, Suzhou, Hangzhou, Ningbo, Tianjing, Urumuqi, and Shenzhen.

During the first six months of 2014, we have also terminated the operation of and converted two mid-end 4S dealership stores, including 1 Honda store and 1 Nissan store, all located in prime areas of Shanghai. The Honda store has been converted into Baoxin's first flagship pre-owned car dealerstore and commenced soft opening on July 28, 2014, and is expected to commence official opening in September, 2014. The other store is under modification for luxury and ultra-luxury brands.

Stable growth in sales of luxury and ultra-luxury brand automobiles

After achieving a significant growth in new automobile sales volume in 2013, which was mainly driven by the acquisition and integration of NCGA, our new vehicle sales volume growth in the first six months of 2014 was stable. Our revenue from sales of automobiles for the six months ended June 30, 2014 was RMB14,602.9 million, representing a growth of approximately 7.4% as compared to the same period in 2013. The sales of luxury and ultra-luxury automobile accounted for RMB13,812.6 million, contributing to 94.6% of our total revenue from sales of automobile for the six months ended June 30, 2014 and representing an increase of 8.7% as compared to the same period in 2013.

In terms of sales volume, we sold 36,726 units of automobile in the six months ended June 30, 2014, an increase of 3,078 units, or 9.1%, from 33,648 units of automobiles for the same period in 2013. For the six months ended June 30, 2014, we sold 30,585 units of luxury and ultra-luxury automobile, representing an increase of 3,692 units, or 13.7%, from 26,893 units for the same period in 2013.

	Six months ended June 30,			
	2014		2013	
Automobile sales volume	**Volume** *(units)*	**Contribution** *(%)*	Volume *(units)*	Contribution *(%)*
Luxury and ultra-luxury brands	**30,585**	**83.3**	26,893	79.9
Mid-to-upper market brands	**6,141**	**16.7**	6,755	20.1
Total	**36,726**	**100.0**	33,648	100.0

Strong growth in after-sales service

During the six months ended June 30, 2014, after-sales service business remained one of the key focuses of the Group. Based on the initiatives taken in 2013, we further refined and implemented the growth strategies for after-sales service business in the first half of 2014, and experienced strong rebound as compared to the second half of 2013. For the six months ended June 30, 2014, the revenue from after-sales services reached RMB1,682.1 million, representing an increase of 19.8% as compared to the same period in 2013, and an increase of 29.5% from second half of 2013, representing 10.3% of total revenue. The revenue from after-sales service for luxury and ultra-luxury brands was RMB1,575.4 million, representing an increase of 21.9% from RMB1,292.1 million from the same period in 2013, and contributed to 93.7% of the total after-sales revenue. For the revenue growth of 21.9% in after-sales services for luxury and ultra-luxury brands, 12.5% was driven by growth in volume of after-sales visits and 9.4% was driven by a rise in average per visit price. The visit volume growth was contributed by stable new vehicles sales volume, improved retention rate of existing customers (especially post warranty vehicles), as well as increased accident car referrals from insurance companies. The increase in average visit price was primarily due to the increasing share of luxury and ultra-luxury brands in aftersales services, in particular a higher percentage for repairs rather than maintenance. While after-sale revenue experienced strong growth, gross profit margin remained stable at 47.8%.

O2O platform potentially to become a new growth driver

In addition to the traditional new automobile dealing business and after-sales service business, the Group has made significant achievements in building an online to offline ("**O2O**") platform, which currently consists of online and offline pre-owned vehicle trading as well as on-line new vehicle sales, and the platform will potentially expand into a full-fledged auto service platform to serve as a one-stop service provider for automobile customers.

We see a significant opportunity in China's pre-owned vehicle market and also believe that pre-owned automobile business fits the O2O business model. Since October 2013, we have developed an on-line bidding system for pre-owned vehicles. Since then, we have consolidated all used vehicle resources (including trade-in vehicles and retired test-driving vehicle) through our on-line used vehicle platform. The platform has improved the average trading price and profitability of our used vehicle business.

On July 28, 2014, our first flagship pre-owned vehicle store commenced soft opening in Shanghai. The store integrates a large showroom showcasing high quality (including certified) pre-owned vehicles, on-line and offline auction facilities, repair and modification facilities, and first-class customer rest area. The store will officially commence operation in September 2014. As at date of this announcement, we are discussing with a large Chinese commercial bank on the strategic partnership for the O2O business. As a leading bank in consumer financing and with one of the largest high net worth VIP customer base, this bank will collaborate with the Group in providing used car financing. Meanwhile, the Group is also in close discussion with a leading US based pre-owned auto auction company regarding entering into a strategic partnership for the O2O business.

Auto insurance and financing businesses

During the six months ended June 30, 2014, we achieved significant improvement in auto insurance and auto financing businesses, which generated strong commission income growth, despite slower growth in new vehicle sales volume.

For the six months ended June 30, 2014, the Group realized RMB95.3 million of commission income from auto insurance business, representing a 35.0% growth from the same period in 2013. The growth was driven by stable new car sales volume growth, and a rapid growth in extended auto insurance for existing customers. Extended auto insurance ratio improved across all stores. As at the end of June 30, 2014, 44% of our 4S stores' new vehicle insurance penetration ratio is above 75%, and 42% of our 4S stores' extended auto insurance ratio is above 75%. There is still significant room for improvement in the insurance segment.

Auto Financing

We have established a project team consisting of members from the banking sector to manage our financial business for products, channels, marketing, incentives and other systems. Our team formulated a detailed tactical plan in early 2014, which has been implemented and has generated in considerable financial commission income to the Group.

Our financial leasing business has been developing rapidly. We designed and built an on-line operating system that has greatly improved our business processing capabilities. Shanghai Dingxin Financial Leasing Co. Ltd ("**Dingxin Leasing**"), a wholly owned subsidiary of the Company, set up 19 branches by the end of June 30, 2014 by leveraging on the Group's expansive network of outlets. We have also completed preliminary construction of our sales network, and the current business deals have resulted in considerable IRR yields.

Dingxin Leasing has obtained accreditation from BMW Finance and will become a key supplier and partner of BMW Finance, with a view to promoting BMW's financial leasing services across China. This collaboration with BMW represents vast business opportunities for the Group's leasing services. The Group's management standard is also expected to be improved with BMW Finance's support.

Further integration of NCGA Group to release operational synergy and reduce operating cost

During the six months ended June 30, 2014, we further integrated the NCGA group and reduced operating costs, especially in respect of labor salaries and benefits, marketing and advertising expenses, property rental expenses and other general operating expenses. After a one year transition period, we have evaluated the salary and welfare structure at NCGA and adjusted it to market level. We have also consolidated inventory warehouse and terminated certain warehouses facilities to reduce rental expenses. Through terminating and streamlining third party contracts for marketing and operational services, we were able to further reduce corresponding expenses.

Continue to optimize capital structure and improve capital efficiency

During the first six months of 2014, the Group continued to improve capital efficiency and optimize capital structure.

In September 2013, the Group successfully entered into a syndicated loan of US$170 million in Hong Kong and cooperated with Standard Chartered Bank to launch the first two-way trade in RMB capital pool business in Shanghai Free Trade Zone. Standard Chartered Bank has now successfully launched the RMB capital pool business, which improved the Group's capital utilization, reduced its financial costs and also limited our debt scale.

In August 2014 and as at the date of this announcement, the Group has further completed a US$216 million syndicate loan in Hong Kong, with a three-year term and interest rate at Libor+3.7%, which is considerably lower than on-shore funding costs.

Our treasury department has formulated a tiered pricing mechanism to regulate, control and optimize the use of funds at all levels of the Company. This system has largely increased the efficiency of the management performance assessment procedure, and is gradually refining the management system to reduce inefficient use or allocation of funding.

Through effective fund management, we have exercised strict control over the ratio of commercial bank notes at our outlets. By regularly monitoring the ratio of notes at each outlet, we have effectively reduced the size of cash pledged to banks as security deposits, and have thus effectively controlled the Group's financial gearing and debt level while expanding the business.

By adjusting our financing structure and gradually replacing the credit guarantee financing with secured financing, our ability in resisting financial risks has also been strengthened. As at June 30, 2014, 32.8% of the Group's debt is mid-long term debt, compared to 20.8% at December 31, 2013.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2014, our revenue was RMB16,285.0 million, representing a growth of approximately 8.6% compared to the same period in 2013. The increase was primarily due to an increase of RMB1,005.3 million, or 7.4%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2013.

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

	Unaudited For six months ended June 30, 2014		Unaudited For six months ended June 30, 2013	
Revenue Source	**Revenue *(RMB'000)***	**Contribution *(%)***	Revenue *(RMB'000)*	Contribution *(%)*
Automobile sales	**14,602,903**	**89.7**	13,597,645	90.6
After-sales business	**1,682,119**	**10.3**	1,404,232	9.4
Total	**16,285,022**	**100.0**	15,001,877	100.0

Revenue from the sales of automobiles increased by RMB1,005.3 million due to continued sales growth at our more mature stores.

Automobile sales generated a substantial portion of our revenue, accounting for 89.7% of our revenue for the six months ended June 30, 2014. Revenue generated from the sale of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 94.6% (six months ended June 30, 2013: 93.4%) and 5.4% (six months ended June 30, 2013: 6.6%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 19.8%, from RMB1,404.2 million for the six months ended June 30, 2013 to RMB1,682.1 million for the same period in 2014. The Group continues to focus on, and is strengthening the management of, its after-sales service business. The increase in revenue from after-sales services was attributable to the Group's pro-active measures to increase our stores' after-sales capacity. For the mature stores, we have been adding repair and maintenance workshops, boosting utilization rates, and optimizing operation procedures in order to generate higher after-sales revenue. For the less mature stores, we achieved an increase in revenue by attracting more customers through implementing the membership system, encouraging return visits by customers, and launching promotion campaigns at our stores. This has attributed to the significant revenue growth from after-sales services. The relative contribution of our after-sales business to our revenue increased from 9.4% for the six months ended June 30, 2013 to 10.3% for the same period in 2014.

Cost of sales and services

For the six months ended June 30, 2014, our cost of sales and services increased by 8.6%, from RMB13,531.2 million for the same period in 2013 to RMB14,696.5 million. This increase is consistent with the growth in our sales throughout the six months ended June 30, 2014.

The cost of sales and services attributable to our automobile sales business amounted to RMB13,818.5 million for the six months ended June 30, 2014, representing an increase of RMB1,019.2 million, or 8.0%, from the same period in 2013. The cost of sales attributable to our after-sales business amounted to RMB878.0 million for the six months ended June 30, 2014, representing an increase of RMB146.1 million, or 20.0%, from the same period in 2013.

Gross profit and gross profit margin

Gross profit for the six months ended June 30, 2014 was RMB1,588.6 million, representing an increase of RMB117.9 million, or 8.0%, from the same period in 2013. Gross profit from automobile sales decreased by 1.7% from RMB798.3 million for the six months ended June 30, 2013 to RMB784.4 million for the same period in 2014, of which RMB772.0 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 19.6% from RMB672.4 million for the six months ended June 30, 2013 to RMB804.1 million for the same period in 2014. Automobile sales and after-sales business contributed to 49.4% and 50.6%, respectively, to the total gross profit for the six months ended June 30, 2014.

Gross profit margin for the six months ended June 30, 2014 was 9.8%, same as that of the same period in 2013, of which the gross profit margin of automobile sales was 5.4% compared to 5.9% of the same period in 2013, and after-sales business was 47.8% compared to 47.9% of the same period in 2013. The decrease in gross profit from sales of automobiles was mainly due to a decrease in sale price as a result of more intense market competition. Gross profit from after-sales services remained stable over the period.

Other income and net gains

Other income and net gains increased by 19.2%, from RMB169.3 million from the six months ended June 30, 2013 to RMB201.8 million for the same period in 2014, mainly due to an increase in the service fee income and commission income from RMB122.2 million for the six months ended June 30, 2013 to RMB170.6 million for the same period of 2014. Our commission income increased mainly due to (i) the Group benefitting from the organized management of our auto insurance business, and our cooperation with insurance companies which led to continuous and significant improvements in our insurance commission; (ii) a stable increase in revenue from pre-owned automobile sales and license registration services; and (iii) higher income from automobile financing as automobile sales increase, and related financing services being more widely used by automobile purchasers.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended June 30, 2014 increased by 13.5% from RMB912.4 million in the same period in 2013 to RMB1,035.8 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended June 30, 2014 increased by 7.7% from RMB519.8 million in the same period last year to RMB559.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at June 30, 2014, our cash and cash equivalents amounted to RMB1,574.0 million, representing a decrease of 22.1% from RMB2,020.9 million as at December 31, 2013.

Our primary uses of cash were 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 financed our liquidity requirements through a combination of short-term bank loans and other borrowings and cash flows generated from our operating activities.

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 six months ended June 30, 2014, net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB330.6 million (six months ended June 30, 2013: RMB45.9 million), RMB599.5 million (six months ended June 30, 2013: RMB451.6 million), and RMB178.8 million (six months ended June 30, 2013: RMB244.3 million of net cash generated from financing activities), respectively.

Net current assets

As at June 30, 2014, we had net current assets of RMB2,097.6 million, representing an increase of RMB731.8 million from RMB1,365.8 million as at December 31, 2013.

Capital expenditure

Our capital expenditures primarily comprise expenditures on property, plant and equipment, land use rights and intangible assets as well as purchase of test-driving vehicles. During the six months ended June 30, 2014, our total capital expenditure was RMB551.9 million (six months ended June 30, 2013: RMB524.1 million).

Inventory

Our inventory primarily consisted of new automobiles, spare parts and accessories. Each of our dealership stores individually manages their 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 inventory increased by 31.0% from RMB3,002.3 million as at December 31, 2013 to RMB3,932.8 million as at June 30, 2014, primarily due to (i) seasonal factors in automobile sales which led to an increase in inventory in mid-2014 as compared to the end of 2013; (ii) supply cycles of certain brands that caused the inventory as at the end of June 2014 to be relatively higher as compared to the end of 2013; and (iii) the three newly opened stores for ultra-luxury brands Ferrari and Maserati in late 2013, resulting a further increased in inventory.

Our average inventory turnover days in the six months ended June 30, 2014 increased to 43.2 days from 35.9 days as compared to the same period in 2013 primarily due to the an increase in inventory at the end of June 2014.

Bank loans and other borrowings

As at June 30, 2014, the Group's available and unutilized banking facilities amounted to approximately RMB6,188.3 million (December 31, 2013: RMB6,134.4 million).

Our bank loans and other borrowings as at June 30, 2014 were RMB7,189.7 million, an increase of RMB167.9 million from RMB7,021.8 million as at December 31, 2013. The increase was mainly due to (i) our capital expenditures on stores in built; and (ii) increased working capital requirements for our new stores.

Interest rate risk and foreign exchange rate risk

The Group currently has not used any derivatives to hedge interest rate risk. The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's assets and liabilities denominated in US$ and HK$ are mainly held by certain subsidiaries incorporated outside Mainland China which have US$ or HK$ as their functional currencies.

The Group did not have any material foreign currency transactions in Mainland China for the six months ended June 30, 2014. The Group had minimal exposure of foreign currency risk. We did not use any derivative financial instruments to hedge our exposure to the foreign exchange rate risk during the six months ended June 30, 2014.

Gearing ratio

Our gearing ratio (as defined as net debt divided by equity attributable to owners of the Company plus net debt) for the six months ended June 30, 2014 was 70.1% (December 31, 2013: 69.1%).

Human resources

As at June 30, 2014, the Group had approximately 6,949 employees (December 31, 2013: 6,646). Total staff costs for the six months ended June 30, 2014, excluding directors' remuneration were approximately RMB287.6 million (six months ended June 30, 2013: RMB238.4 million).

The Group values the recruiting and training of quality personnel. We implement remuneration policy, bonus and long term incentive schemes with reference to the performance of the Group and individual employees. The Group also provides benefits, such as insurance, medical and retirement funds, to employees to sustain competitiveness of the Group.

Contingent liabilities

As at June 30, 2014 and December 31, 2013, the Group had no significant contingent liabilities.

Pledge of the Group's assets

Our Group has pledged our group assets, shares in certain subsidiaries and letters of credit as securities for bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at June 30, 2014, the pledged group assets amounted to approximately RMB5,164.8 million (December 31, 2013: RMB4,716.5 million); the pledged letters of credit with aggregate credit amount of approximately RMB613.0 million (December 31, 2013: RMB613.0 million) and pledged entire shares in Shanghai Baoxin Automobile Sales & Services Co., Ltd..

Changes since December 31, 2013

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended December 31, 2013.

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, 2014 and at or before the date of this announcement.

FUTURE OUTLOOK AND STRATEGY

Outlook

We will continue to refine and implement our business strategy and seek growth opportunities through disciplined investments. We will also continue to deepen our strategic partnership with OEMs in areas of auto financing, pre-owned vehicles, training of employees and marketing. We remain committed to expanding our after-sales business through network expansion, service quality improvement, and thereby improving customer retention rate. We are also building an auto financing and insurance business, aiming to raise financing penetration rate and insurance retention rate, and offering more auto financing and auto warranty products.

With regard to our pre-owned vehicle business, based on the current platform, we expect to form more business liaisons with leading internet companies, large dealership groups and other pre-owned vehicle dealers. We will further develop our on-line platform, refine our operating systems and develop our pre-owned vehicle network to 10 flagship stores around China in Tier 1 and 2 cities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

In the opinion of the Directors, throughout the six months ended June 30, 2014, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

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, whilst our vice-chairman and chief executive officer, Mr. Yang Hansong, is responsible for the business operations of the Company. The Board considers that the respective responsibilities of the chairman and chief executive officer are clear and distinctive and therefore written terms thereof are not necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2014.

The Board has also adopted the Model Code as guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2014 (six months ended June 30, 2013: Nil).

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 Mr. Diao Jianshen (chairman), Mr. Wang Keyi and Mr. Chan Wan Tsun Adrian Alan, all of whom are the Company's independent non-executive Directors.

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, 2014.

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, 2014 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, August 18, 2014

As at 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. LU Linkui, and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.