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, 2014

The board (the "**Board**") of directors (the "**Directors**") of Baoxin Auto Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2014, as well as comparative figures for the corresponding period in 2013.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2014:

- Total revenue increased by 2.1% to RMB30,723.4 million, in which the automobile sales increased by 1.0% to RMB27,663.0 million, and the after-sales revenue increased by 13.2% to RMB3,059.5 million.
- Commission income increased by 60.4% to RMB371.4 million.
- Gross profit was RMB2,787.6 million and the gross profit margin was 9.1%.
- EBITDA was RMB1,989.2 million, representing an EBITDA margin of 6.5%.
- Profit attributable to owners of the parent was RMB706.6 million.
- Earnings per share attributable to ordinary equity holders of the parent were RMB0.28.

SUMMARY FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	3	**30,723,432**	30,081,687
Cost of sales and services provided		**(27,935,772)**	(27,161,294)
Gross profit		**2,787,660**	2,920,393
Other income and gains, net	3	**454,574**	468,872
Selling and distribution expenses		**(983,221)**	(946,815)
Administrative expenses		**(608,813)**	(538,713)
Profit from operations		**1,650,200**	1,903,737
Finance costs	4	**(617,234)**	(544,601)
Share of profits of a joint venture		**6,783**	10,544
Profit before tax	5	**1,039,749**	1,369,680
Income tax expense	6	**(326,115)**	(355,345)
Profit for the year		**713,634**	1,014,335
Attributable to:			
Owners of the parent		**706,644**	1,006,805
Non-controlling interests		**6,990**	7,530
		713,634	1,014,335
Earnings per share attributable to ordinary equity holders of the parent	7		
Basic and diluted			
— For profit for the year (RMB)		**0.28**	0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014	2013
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**713,634**	1,014,335
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be classified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**41**	17,349
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**41**	17,349
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**41**	17,349
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**713,675**	1,031,684
Attributable to:		
Owners of the parent	**706,685**	1,024,154
Non-controlling interests	**6,990**	7,530
	713,675	1,031,684

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at December 31, 2014** *RMB'000*	As at December 31, 2013 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,788,537**	3,310,388
Prepaid land lease payment		**537,139**	375,619
Intangible assets		**922,189**	943,206
Prepayments and deposits		**498,084**	402,960
Finance lease receivables		**12,207**	–
Goodwill		**100,725**	75,674
Investment in a joint venture		**45,016**	38,233
Available-for-sale investment		**16,573**	16,518
Deferred tax assets		**74,229**	59,219
Total non-current assets		**5,994,699**	5,221,817
CURRENT ASSETS			
Inventories	*8*	**3,056,777**	3,002,286
Trade receivables	*9*	**393,155**	556,939
Finance lease receivables		**12,731**	–
Prepayments, deposits and other receivables		**5,503,515**	4,168,968
Amounts due from related parties		**41,063**	41,188
Pledged bank deposits		**2,436,468**	2,769,886
Cash in transit		**134,987**	89,716
Cash and cash equivalents		**2,202,892**	2,020,926
Total current assets		**13,781,588**	12,649,909
CURRENT LIABILITIES			
Bank loans and other borrowings		**5,107,438**	5,857,684
Trade and bills payables	*10*	**4,877,913**	4,364,349
Other payables and accruals		**779,516**	722,036
Income tax payable		**522,339**	340,055
Total current liabilities		**11,287,206**	11,284,124
NET CURRENT ASSETS		**2,494,382**	1,365,785
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,489,081**	6,587,602

	Note	As at December 31, 2014 RMB'000	As at December 31, 2013 RMB'000
NON-CURRENT LIABILITIES			
Bank loans		**2,621,136**	1,164,144
Bonds		**396,095**	374,632
Deferred tax liabilities		**323,050**	325,561
Total non-current liabilities		**3,340,281**	1,864,337
NET ASSETS		**5,148,800**	4,723,265
EQUITY			
Equity attributable to owners of the parent			
Share capital		**20,836**	20,836
Reserves		**4,966,581**	4,345,395
Proposed final dividend	*11*	**101,244**	303,885
		5,088,661	4,670,116
Non-controlling interests		**60,139**	53,149
Total equity		**5,148,800**	4,723,265

Notes to consolidated financial statements:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is 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 on December 14, 2011.

During the year, 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 ("**BVI**").

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

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

3. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2014	2013
	RMB'000	*RMB'000*
Revenue from the sale of motor vehicles	**27,662,990**	27,378,214
Finance leasing services	**908**	–
Others	**3,059,534**	2,703,473
	30,723,432	30,081,687

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 areas

Since most of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and most of the Group's non-current assets other than deferred tax assets were located in Mainland China, geographical information as required by HKFRS 8 *Operating Segments* is not presented.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, major customer segment information as required by HKFRS 8 *Operating Segments* is not presented.

(b) Other income and gains, net:

	2014	2013
	RMB'000	*RMB'000*
Commission income	**371,438**	231,473
Advertisement support received from motor vehicle manufacturers	**19,696**	25,596
Rental income	**1,569**	1,352
Government grants	**19,679**	28,436
Interest income	**33,519**	31,769
Net (loss)/gain on disposal of items of property, plant and equipment	**(5,722)**	100,476
Foreign exchange differences, net	**(80)**	24,952
Gains on disposal of a subsidiary	**–**	2,212
Others	**14,475**	22,606
Total	**454,574**	468,872

4. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**623,381**	545,456
Interest expense on other borrowings	**5,301**	7,337
Interest expense on bonds	**20,069**	20,345
Less: Interest capitalised	**(31,517)**	(28,537)
	617,234	544,601

5. PROFIT BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
(a) Employee benefit expense (including Directors' and chief executives' remuneration):		
Wages and salaries	**507,223**	379,859
Other welfare	**186,124**	165,041
Equity-settled share option expense	**15,745**	15,925
	709,092	560,825
(b) Cost of sales and services:		
Cost of sales of motor vehicles	**26,324,311**	25,743,204
Others	**1,611,461**	1,418,090
	27,935,772	27,161,294
(c) Other items:		
Depreciation of items of property, plant and equipment	**284,792**	228,495
Amortisation of prepaid land lease payment	**7,370**	6,281
Amortisation of intangible assets	**40,026**	39,385
Advertisement and business promotion expenses	**139,572**	177,545
Auditors' remuneration	**4,300**	4,300
Bank charges	**61,443**	60,062
Foreign exchange differences, net	**80**	(24,952)
Lease expenses	**173,827**	156,171
Logistics and petroleum expenses	**57,062**	94,210
Office expenses	**23,101**	23,562
Write-down of inventories to net realisable value	**11,787**	–
Gain on disposal of a subsidiary	**–**	(2,212)
Net loss/(gain) on disposal of items of property, plant and equipment	**5,722**	(100,476)
Net loss on disposal of items of intangible assets	**953**	259

6. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	2014	2013
	RMB'000	*RMB'000*
Current:		
Mainland China corporate income tax	**346,169**	301,436
Deferred tax	**(20,054)**	53,909
Total tax charge for the year	**326,115**	355,345

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 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 a profits tax at the rate of 16.5% (2013: 16.5%) during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

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

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

The calculation of the basic earnings per share amount 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 2,557,311,429 (2013: 2,557,311,429) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the years ended December 31, 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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**706,644**	1,006,805

	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year	**2,557,311,429**	2,557,311,429

	2014	2013
	RMB	*RMB*
Earnings per share		
Basic and diluted	**0.28**	0.39

8. INVENTORIES

	December 31, 2014	December 31, 2013
	RMB'000	*RMB'000*
Motor vehicles	**2,752,913**	2,694,793
Spare parts and accessories	**303,864**	307,493
	3,056,777	3,002,286

Certain of the Group's inventories with an aggregate carrying amount of RMB327,959,000 (2013: RMB177,304,000) as at December 31, 2014 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 RMB1,709,262,000 (2013: RMB1,764,229,000) as at December 31, 2014 were pledged as security for the Group's bills payable.

9. TRADE RECEIVABLES

	December 31, 2014	December 31, 2013
	RMB'000	*RMB'000*
Trade receivables	**393,155**	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 reporting date (based on the invoice date, net of impairment) is as follows:

	December 31, 2014 *RMB'000*	December 31, 2013 *RMB'000*
Within 3 months	**343,982**	500,320
More than 3 months but less than 1 year	**47,211**	47,026
Over 1 year	**1,962**	9,593
	393,155	556,939

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

	December 31, 2014 *RMB'000*	December 31, 2013 *RMB'000*
Neither past due nor impaired	**391,193**	547,346
Over 1 year past due	**1,962**	9,593
	393,155	556,939

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.

10. TRADE AND BILLS PAYABLES

	December 31, 2014 *RMB'000*	December 31, 2013 *RMB'000*
Trade payables	**125,299**	120,040
Bills payable	**4,752,614**	4,244,309
Trade and bills payables	**4,877,913**	4,364,349

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

	December 31, 2014 *RMB'000*	December 31, 2013 *RMB'000*
Within 3 months	**4,784,702**	4,227,539
3 to 6 months	**82,650**	131,677
6 to 12 months	**930**	300
Over 12 months	**9,631**	4,833
	4,877,913	4,364,349

The trade and bills payables are non-interest-bearing. The trade payables are normally settled on 60-day terms.

11. DIVIDENDS

	2014 *RMB'000*	2013 *RMB'000*
Proposed final HK$0.05 (2013: HK$0.15) (approximately RMB0.04) per ordinary share	**101,244**	303,885

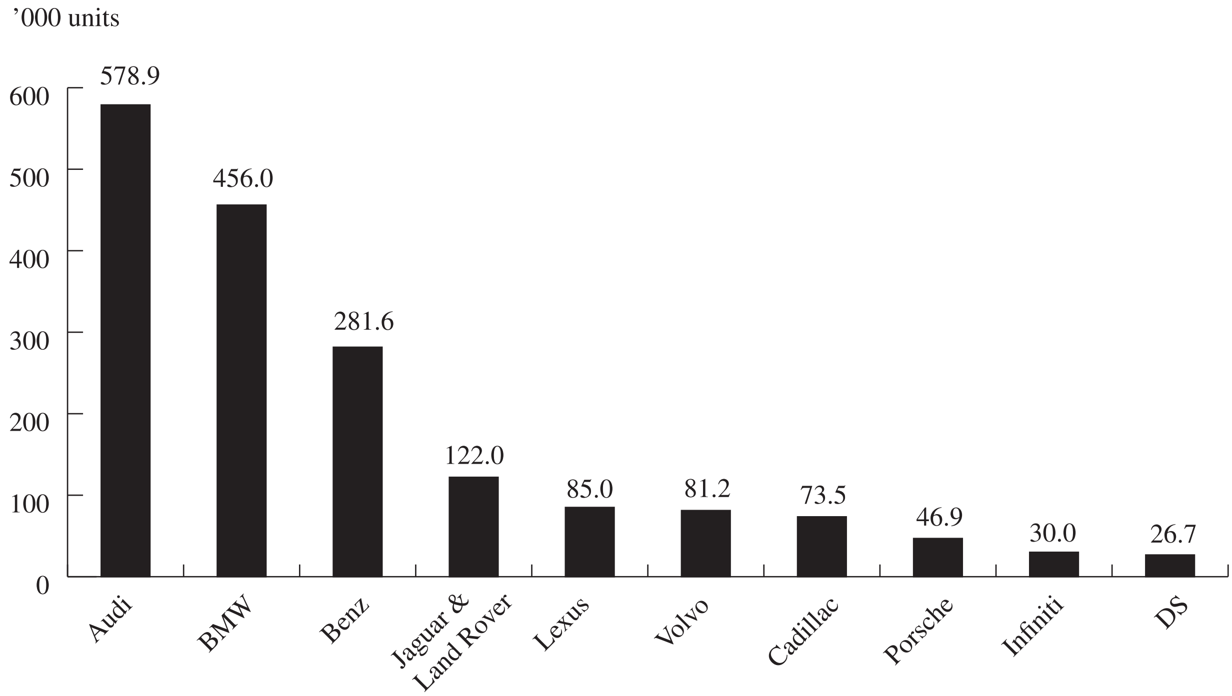
The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

INDUSTRY OVERVIEW

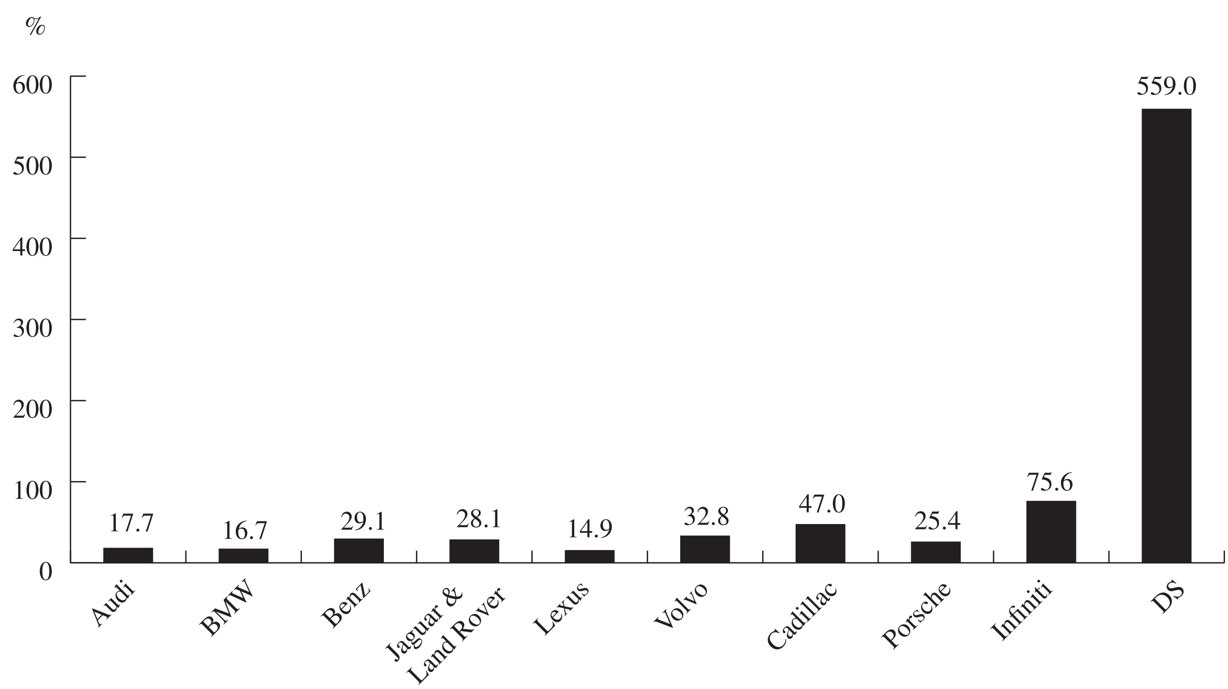
In 2014, China's macro economy grew at a slower rate as compared to the growth rate in 2013. The annual gross domestic product ("**GDP**") growth slowed down to 7.4%, which is a new low since 1990. The weak property market, weak domestic consumption, high indebtedness of local governments and excessive production capacity of various industries has exerted greater downward pressure on the domestic macro economy. Since the beginning of 2014, the automobile industry had been under pressure as a result of the introduction of a series of automobile policy, such as anti-trust investigation, revised administrative measures on automobile sales and the implementation of purchase restrictions in more cities. According to the statistics and analysis from the China Association of Automobile Manufacturers ("**CAAM**"), the automobile production and sales volumes in 2014 amounted to 23.7 million units and 23.5 million units, representing a year-on-year growth of 7.3% and 6.9%, respectively. The growth rate was lower than the estimates at the beginning of the year and was only half of that of 2013. According to the statistics of CAAM, the sales volume of passenger vehicles in 2014 was 19.7 million units, representing a year-on-year growth of 9.9%. Within this category, the sales volume of basic passenger vehicles (sedans) reached 12.4 million units, representing a year-on-year growth of 3.1%. Among different types of vehicles, SUV and MPV continued to grow rapidly, recording a year-on-year growth of 36.4% and 46.8%, respectively.

Regarding luxury automobile market, the luxury automobile brands continued to expand their distribution network in China, increase the localization rate and launch new automobile models which was tailored for the Chinese market. As a result, the sales volumes of new automobiles were at an all-time high in 2014. In addition, luxury automobiles will also benefit from the implementation of purchase restrictions in Tier 1 and 2 cities indirectly, with part of the demand attributed to luxury automobiles. In 2014, China's luxury automobile sales volume reached around 1,782,000 units (Note: the aggregated sales volume of the top ten luxury automobile, in the order of Audi, BMW, Benz, Jaguar & Land Rover, Lexus, Volvo, Cadillac, Porsche, Infiniti, DS), representing a year-on-year growth of 23.8%, which is 3.4 times of the overall growth rate of the automobile market. BMW, Audi and Benz from the top echelon stayed ahead. BMW reached its highest sales record in the Chinese mainland market, with a total of 455,900 units of BMW and MINI delivered to customers, representing a year-on-year increase of 16.7%, thereby making China the largest market of the BMW Group in the world. BMW has also launched electric and hybrid drive luxury vehicles and was well prepared to capture the opportunities in the new energy automobile market in China. Sales of Audi in the Chinese market increased to 578,900 units, representing a year-on-year increase of 17.7% and making it the first luxury brand to deliver over 500,000 units in a year in China. In 2014, the sales volume of the "ABB" brands (Audi, BMW and Benz) totaled 1,313,300 units, accounting for over 70% of the sales volume of the top ten luxury automobile brand in China. The second-tier luxury automobile brand apparently grew at a fast pace as compared to the top echelon. Jaguar & Land Rover is still the top player among the second-tier brands. Its sales volume exceeded 100,000 units for the first time and reached 122,000 units, representing a year-on-year increase of 28.1%. Market demand for SUV was still high, providing a strong support for the rapid growth of its sales volume. In October 2014, the joint venture factory of Jaguar & Land Rover and Chery in China commenced a successful launch in production which laid a foundation for their continual growth in the future. Sales volume of Volvo also reached 81,200 units, representing a year-on-year increase of 32.8%, making China the largest market of Volvo around the globe. Cadillac grew by 47% in the Chinese market in 2014. The sales volume and year-on-year growth rate of top ten luxury brands in 2014 are set out as below:

Sales Volume



Year-on-year growth rate



Although the sales of luxury automobile maintained a strong growth in 2014, the inventory level of luxury automobile dealers increased significantly with the impact of weak market demand, resulting in an increasingly fierce price competition and high financing cost. As such, the relationship of dealers and automobile manufacturers grew tenser, while the dealers became more prudent and less incentivised in opening new outlets. On the other hand, the anti-monopoly investigations and the revision of "Administrative Measures on Auto Sales" have contributed to a more balanced and equal relationship between Chinese automobile dealers and manufacturers.

As at the end of 2014, the ownership of passenger automobile in China has amounted to 154.0 million and the number of newly-registered automobile has reached 21.9 million, representing a net increase in ownership of 17.1 million. Although the growth of new automobile sales has gradually slowed down, the growth of the after-sales market and pre-owned motor-vehicle market still maintained to be strong. According to statistics from China Auto Finance magazine, regarding the automobile markets in developed countries, approximately 55% of the sales revenue derives from new automobile, 30% from pre-owned automobile, and 15% from after-sales markets. However in China, approximately 90% of the sales revenue derives from new automobile, while the after-sales and value-added services (including pre-owned automobile) only account for about 10%. From the perspective of profit structure, in mature markets, over 60% of the profits derive from repair and maintenance, finance and insurance, 10-15% from pre-owned automobile, while only 25% from new automobile sales. According to the statistics of NADA DATA Report for 2013 on the U.S. auto industry, the average turnover of a single automobile dealer outlet in the United States was USD41.3 million (RMB256 million) and the average gross profit margin was 13.4% in 2013, which was much higher than the average turnover and gross profit margin of a Chinese auto dealer outlet, illustrating that the automobile dealer network of China is still in its developing phase as the outlets are less mature and the sales and profits depend too much on the sales of new automobile.

As the general automobile industry of China is consistently developing and becoming more mature with the increasing demand for automobile ownership and replacement, the pre-owned automobile market demonstrates a trend of rapid development where sales and the average trading price of single automobile are increasing steadily and rapidly. According to the statistics of China Automobile Dealers Association, in 2014, the trade volume of pre-owned automobile throughout China was 6,052,900 units, representing a year-on-year increase of 16.3%, in which the number of basic passenger automobile was 3,514,300, marking a year-on-year increase of 15.3%; and the value of trade amounted to RMB367.6 billion, representing a year-on-year growth of 26.0%. Under the purchase restrictions policy which was implemented in more tier 1 and tier 2 cities, the cost of owning two vehicles increased significantly, and customers in these cities are more inclined to trade in or sell their old cars when upgrading.

BUSINESS OVERVIEW

2014 was a critical year for the Group's strategic reform and transition. Since 2013, the Group has been carrying out reform in two aspects. First, the focus of operation and development has been extended from new car sales to the after-sales services sector such as auto repair and maintenance, auto financing, pre-owned vehicle, auto insurance and decoration. Second, the Group has gradually extended its focus from purely dealer store expansion and acquisition to a more diversified sales network and channel development to enhance the quality of customer service, launch more products and service items, and emphasize the high quality of management. The Group has seen solid breakthrough and improvement over these aspects during 2014.

Steadily developing and consolidating luxury and ultra-luxury brands to enhance core competitiveness

2014 was a challenging year for the new car business, and due to the weak market demand and greater inventory risk, the Group remained prudent towards the growth of new car sales, so as to prevent the overstock risk and maintain a stable profit. Although the growth of new car sales was lower than expected at the beginning of the year, the Group still maintained its leading position in major luxury automobile brands. As at December 31, 2014, the Group sold 72,709 new cars, of which 60,767 were luxury and ultra-luxury brands, representing a year-on-year growth of 9.7%; and 40,534 were BMW and MINI, representing a year-on-year growth of 7.3% or 8.9% of the total sales volume of the BMW Group in China market. The new car sales of Jaguar & Land Rover was 14,251, representing a year-on-year growth of 17.2% or 11.7% of the total sales volume of the Jaguar & Land Rover in the China market. Benefitted from the expansion of the new store in 2013, the Group sold a total of 642 new cars of Ferrari/Maserati during 2014, representing a year-on-year growth of 355.3% and contributed 6.8% of the brands total sales in China. This has significantly increased the brand's market share in China and made the Group a significant partner of and leading dealership group for luxury automobile brands in China.

In comparison with luxury and ultra-luxury brands, the competition among mid-to-upper brands was more fierce, and its overall profitability was under more pressure. In 2014, the Group converted two 4S stores of two Japanese brands, namely Honda and Nissan, located at the prime locations of Shanghai, into 4S stores of luxury brands and pre-owned automobile stores, in order to leverage the geographical advantage to enhance operating efficiency and overall profitability. Under such effect, the sales volume of the Group's mid-to-upper brands for 2014 was 11,942, representing a decrease of 17.3% as compared to the previous year.

As at December 31, 2014, the Group's total inventory was RMB3,056.8 million, representing an average turnover days of 39.6 days, which was well below industry average level.

According to the statistics from China Automobile Dealers Association, 70% auto dealers in China had experienced a loss from sales of new vehicles in 2014. 40% of the dealers had an average inventory turnover of over 2 months. In order to achieve the sales target from manufacturers, offering favorable discount to new vehicles has been the sole strategy of most dealers, resulting in a substantial decrease in gross profit of new automobile. However, with its extensive experience of the management and successful brand strategy, the Group's gross profit margin from new vehicle sales remained relatively stable despite the impact of such market trend. For the year ended December 31, 2014, the Group's gross profit margin from new vehicle sales was 4.8%, representing a decrease of 1.2 percentage points as compared to 2013; and the Group's profit margin from new vehicle sales of luxury and ultra-luxury brands was 5.1%, representing a decrease of 1.2 percentage points as compared to 2013.

After-sales repair and maintenance business remained robust growth

Driven by the steady growth of new vehicle sales business, the increasing market share of luxury and ultra-luxury brands in after-sales repair and maintenance business, and the gradual ramp up of 4S stores that were newly opened in the past few years, the after-sales repair and maintenance business achieved robust growth and maintained a stable gross profit margin. For the year ended December 31, 2014, revenue from the after-sales services, including repair, maintenance and decoration operations of the Group amounted to RMB3,059.5 million, an increase of 13.2% as compared to the previous year, accounted for 10.0% of the total revenue and was 1.0 percentage point higher as compared to 2013. The revenue from after-sales service of luxury and ultra-luxury brands amounted to RMB2,850.3 million, representing an increase of 15.7% as compared to the same period in 2013 and accounted for 93.2% of the total revenue of after-sales services. Under the impact of anti-monopoly investigation, several major automobile manufacturers cut prices on components and spare parts and services, affecting the revenue and profit growth of after-sales service to some extent. In 2014, the gross profit margin of the Group's after-sales services business was 47.3% and remained a stable level as compared to the same period last year. In 2014, gross profit generated from after-sales repair and maintenance business contributed 51.9% of the Group's gross profit, and has increased by 7.9 percentage points, becoming the major pillar for the stable profit and sustained profit growth of the Group against the challenging and volatile market that affects the profitability of new vehicle sales.

Vehicle value-added services become the driver of profit growth

While steadily developing the new vehicle sales and after-sales repair and maintenance business, the Group has put more effort in the development of vehicle value-added services business, including certain break-through in the development of automobile insurance, extended warranty, automobile finance, pre-owned automobile and automobile decoration business. For the year ended December 31, 2014, the commission income from vehicle value-added services amounted to RMB371.4 million, representing a significant increase of 60.4% as compared to the same period in 2013 and a growth rate far higher than the sales of new automobile, demonstrating the potential of value-added business.

Insurance Business

In 2014, the Group continued its intensive cooperation with insurance companies as its strategic partners and enhanced its operating management over various sales stores and after-sales service division, strengthened the training for staff of insurance division and introduced more convenient services to customers. As such, the insurance renewal rate was substantially increased while maintaining a comparatively high rate of new automobile insurance. Meanwhile, the Group cooperated with a major European insurance company to introduce its own automobile extended warranty product that was well received by consumers. For the year ended December 31, 2014, the Group's automobile insurance business realized significant growth in commission income, representing a year-on-year growth of 38.0%. The year-on-year volume growth of extended auto insurance was 44% while growth in extended insurance premium was 32%.

Automobile Finance Business

The automobile finance business of the Group comprises automobile finance business and automobile financial leasing business. For the year ended December 31, 2014, the automobile finance penetration rate of the Group's new automobile business was 26%, which was 3 percentage points higher as compared to the same period in 2013; the commission income derived from automobile finance was RMB102.4 million, representing a year-on-year growth of 32.5%. In consumer automobile finance business, the Group actively cooperated with automobile manufacturers, such as BMW, Jaguar & Land Rover and other manufacturers in respect of finance while expanding its strategic cooperation with commercial banks such as China Merchants Bank, China CITIC Bank, Ping An Bank and others. Leveraging on the automobile finance policy offered by the commercial banks and manufacturers, the Group can provide its customers with fast, more convenient and personalized credit finance service. As for automobile financial leasing business, following the incorporation of Shanghai Dingxin Financial Leasing Co., Ltd ("**Dingxin Leasing**") in 2013, the Group set up Dingxin Leasing branches across 19 major cities throughout China in 2014 and became the pioneer in the automobile dealer industry who successfully launched and implemented paperless management design and operation of the centralized cross-border online approval system. In addition to the traditional consumer auto loan service, the stores also offer online application and approval of finance leasing service to satisfy diversified finance demands of various customers. In 2014, Dingxin Leasing obtained accreditation from BMW Finance and became a key supplier and partner of BMW Finance.

Pre-owned Automobile Business

In line with the overall market trend, there is a significant increase in the replacement and trade volume of pre-owned automobile despite the unexpected sluggish growth of the Group's new vehicle sales in 2014. The Group set up pre-owned automobile division and engaged experienced pre-owned automobile appraisers in all our 4S stores, showrooms and after-sales maintenance stores. The Group also explored replacement demand of pre-owned automobiles during the sales process and identified customers for pre-owned mobiles from the bulk list of repair and maintenance customers. In addition, along with the expansion of dealership network, a great number of retired test-drive vehicles have become the source of certified pre-owned vehicles. In view of the low mileage, high quality and free quality assurance from manufacturers, certified pre-owned vehicles are well received by many customers. Currently, the pre-owned vehicle supply market in China still have shortage of quality automobile. As such, the Group, as a major luxury brand dealership group, has its inherent advantage in accessing to pre-owned vehicle resources. For newer vehicles with low mileage and in good condition, the Group will display them in the showroom for direct sales to customers upon maintenance and refurbishment, skipping the secondary trading process to enhance gross profit margin. For online auction, the Group will make cross-region recommendation for quality automobile and strive for the maximum gross profit by implementing region optimization with the existing network advantages of the Group.

Expanding income sources and enhancing the efforts in cost control and strengthening the management of operating efficiency

While continuing to expand revenue sources, the Group strived for delivering maximum profit for the shareholders in the volatile market through various measures on cost control. For the year ended December 31, 2014, sales and marketing costs, administrative costs and financing costs of the Group amounted to RMB2,209.2 million, representing a year-on-year growth of 8.8%; and accounted for 7.2% of total revenue, representing a increase of 0.5 percentage point as compared to that of 2013.

Regarding the control on sales and operating costs, the Group made corresponding adjustment to salesmen's commission according to the market trend, which reduced the percentage taken in new car sales while increased the salesmen's proportion of commission in value-added services so as to motivate salesmen to actively discover potential customers of value-added services during new vehicle sales. Meanwhile, the Group strictly controlled the expenses on advertisement, which decreased by 21.4% year-on-year to RMB139.6 million in 2014. To accommodate the changes in customers' consuming behaviors, the Group increased the expenses on internet advertisements and reduced the promotional expenses on traditional media. In addition, the Group launched more personal offline promotions, which were tailor-made for customers' needs, in order to enhance their brand awareness and loyalty to the Group.

As for financing costs, the Group attempted to minimize the increasing funding costs resulted from the slowdown of inventory turnover by strictly controlling the inventory level. Meanwhile, the Group further enhanced capital utilization to reduce the proportion of security deposits in bank. In August 2014, the Group successfully completed a US$216 million syndicate loan at low interest rate in Hong Kong and commenced a full cooperation with Standard Chartered Bank to conduct the two-way trade in RMB capital pool business in Shanghai Free Trade Zone. In September 2014, such project was awarded the "Best Cash Management" of The Tao Zhu Gong Awards 2014 by EuroFinance.

Establishing diversified networks and channels as well as building O2O platform for auto services

The Group has started to build an online auction platform for pre-owned vehicles since October 2013. On September 2, 2014, "Autostreets" (Autostreets.com), a fully integrated platform for both online and offline auto service led and organized by the Group, was officially launched. COX Group, parent group of several renowned online and offline auto trading companies in the United States, and China Merchants Bank have become the strategic partners and investors of "Autostreets". A number of top ranked automobile dealership groups also are in the process of becoming strategic joint ventures and investors of "Autostreets". As of January 2014, the Group holds 38% stake in "Autostreets", and "Autostreets" is an associate company of the Group. "Autostreets" will provide Chinese automobile owners with one-stop auto-related services, enabling customers to enjoy traditional offline services covering all cycles of automobile business, including searching and trading of new vehicles and pre-owned vehicles, reservation for repairs and maintenance, auto financing, auto insurance and extended warranty, etc. The off-line pre-owned vehicles centres comprise first class showrooms and driveway for on-site auction, providing customers with integrated services including assessment, trading, transfer and financing of pre-owned vehicles.

As for the traditional networks and channels of 4S stores, in light of the market volatility of new automobile, the Group turned to be more cautious and prudent from the strategy of opening stores in a large scale, rapid expansion, mergers and acquisitions in the past. As at December 31, 2014, the Group has added 4 new luxury and ultra-luxury 4S stores and one mid-to-upper brand 4S stores in respect of brands such as Rolls Royce, Jaguar & Land Rover, Volvo and FAW-Volkswagen. Moreover, three MINI showrooms were added and 13 luxury and ultra-luxury 4S stores are under construction. In addition, the Group has relocated and renovated two mid-to-upper brand 4S stores (including one Honda store and one Nissan store) located in prime region in Shanghai in 2014. The original store locations were renovated as trading and exhibition centre for pre-owned automobiles and luxury 4S stores.

Parallel importing business will be the new growth point for sales of new vehicles

On February 10, 2015, the first tranche of pilot enterprises for automobile parallel importing in the free trade zone was announced on the official website of Shanghai Municipal Commission of Commerce, and a total of 17 enterprises were included in the list. With its leading position in the industry, extensive management experience, strong after-sale service platform and sound reputation in the market, the Group was among one of the first tranche of officially authorized automobile parallel importers. As the parallel importing will not be subjected to any authorization limit of the manufacturers, the importers are allowed to sell imported automobiles which are popular among consumers based on the market demand. In addition to sale of new vehicles, the Group will also provide customers with comprehensive value-added after-sale services at a high standard, including repair and maintenance, insurance for automobile financing and replacement of pre-owned automobiles. Meanwhile, we will maintain our relationship with automobile manufacturers in order to commence our parallel importing business without prejudice to the operation of licensed brands with the manufacturers. On March 17, 2015, HSBC announced that it will release US$ funding from overseas through its free trade accounting units. This will provide the Group's subsidiaries in the free trade zone with trade financing loans of approximately US$10 million for its parallel importing business, the cost of which will be lower than that of the financing cost of borrowing funds from domestic commercial banks.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2014, our revenue was RMB30,723.4 million, representing a slight growth of approximately 2.1%. Among which, revenue from the automobile sales increased from RMB27,378.2 million in 2013 to RMB27,663.0 million in 2014.

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

	Year ended December 31,			
	2014		2013	
Revenue source	**Revenue *(RMB'000)***	**Contribution to total Revenue *(%)***	Revenue *(RMB'000)*	Contribution to total Revenue *(%)*
Automobile Sales	**27,662,990**	**90.0**	**27,378,214**	**91.0**
Luxury and ultra-luxury brands	26,139,097	85.0	25,455,559	84.6
Mid-to-upper market brands	1,523,893	5.0	1,922,655	6.4
After-sales Business	**3,059,534**	**10.0**	**2,703,473**	**9.0**
Luxury and ultra-luxury brands	2,850,345	9.3	2,464,083	8.2
Mid-to-upper market brands	209,189	0.7	239,390	0.8
Finance leasing services	**908**	**0.0**	–	–
Total revenue	**30,723,432**	**100.0**	**30,081,687**	**100.0**

Automobile sales generated a substantial portion of our revenue, accounting for 90.0% of our total revenue for the year ended December 31, 2014. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 94.4% (2013: 93.0%) and 5.6% (2013: 7.0%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 13.2% from RMB2,703.5 million for the year ended December 31, 2013 to RMB3,059.5 million for the same period in 2014. The strong after-sales revenue growth was attributable to the Group's pro-active resources to increase our stores' after-sales capacity. The relative contribution of our after-sales business to our revenue increased from 9.0% in 2013 to 10.0% in 2014.

Cost of sales and services

For the year ended December 31, 2014, our cost of sales and services increased by 2.9%, from RMB27,161.3 million for the same period in 2013 to RMB27,935.8 million. This increase was basically consistent with the growth in our sales throughout the year ended December 31, 2014.

The cost of sales and services attributable to our automobile sales business amounted to RMB26,324.3 million for the year ended December 31, 2014, representing an increase of RMB581.1 million, or 2.3%, from the same period in 2013. The cost of sales attributable to our after-sales business amounted to RMB1,611.5 million for the year ended December 31, 2014, representing an increase of RMB193.4 million, or 13.6% from the same period in 2013.

Gross profit and gross profit margin

Gross profit for the year ended December 31, 2014 was RMB2,787.6 million, representing a decrease of RMB132.8 million or 4.5% from the same period in 2013. Gross profit from automobile sales decreased by 18.1% from RMB1,635.0 million for the year ended December 31, 2013 to RMB1,338.7 million for the same period in 2014, of which RMB1,327.4 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 12.6% from RMB1,285.4 million for the year ended December 31, 2013 to RMB1,448.0 million for the same period in 2014. Automobile sales and after-sales business contributed to 48.1% (2013: 56.0%) and 51.9% (2013: 44.0%), respectively, to the total gross profit for the year ended December 31, 2014.

Gross profit margin for the year ended December 31, 2014 was 9.1% (2013: 9.7%), of which the gross profit margin of automobile sales was 4.8% (2013: 6.0%) and of after-sales business was 47.3% (2013: 47.5%). The decrease in gross profit margin from automobile sales was mainly due to the decrease in selling price of automobile as the result of weaken macro economy environment and more intense market competition. The gross profit from after-sales services remained stable over the year.

Other income and gains, net

The majority of other income is commission income from automobile sale relevant services, which increased from RMB231.5 million for the year ended December 31, 2013 to RMB371.4 million for the same period in 2014. The increase was mainly due to (i) the insurance commission income increased by RMB40.5 million compared to that of 2013; (ii) benefitting from more financial services being used by automobile purchasers, the commission income from automobile financing services increased RMB25.1 million in 2014; and (iii) the income from pre-owned automobile sales increased significantly due to the Group launched many promotion activities to develop the pre-owned automobile business during the year of 2014.

Selling and distribution costs and administrative expenses

For the year ended December 31, 2014, our selling and distribution costs increased by 3.8%, from RMB946.8 million for the same period in 2013 to RMB983.2 million; and our administrative expenses increased by 13.0%, from RMB538.7 million for the same period in 2013 to RMB608.8 million. These increases were mainly due to (i) the employee benefit expenses expanded due to the increase in staff headcount and average staff salaries; and (ii) higher depreciation and amortisation costs resulted from the increase in fixed assets and intangible assets.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended December 31, 2014 decreased by 13.3% from RMB1,903.7 million for the same period in 2013 to RMB1,650.2 million. The decrease was mainly attributed to the drop of the margin of automobile sales over the year of 2014.

Finance costs

Finance costs increased by 13.3% from RMB544.6 million for the year ended December 31, 2013 to RMB617.2 million for the same period in 2014, primarily due to the increase in bank loan balances and bank acceptance bills. In 2014, the Group continued to cooperate with both domestic and international banks to decrease borrowing costs and lower debt risk, by utilizing overseas financing platforms and entering into syndicated loans bearing a lower interest rate.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended December 31, 2014 decreased from RMB1,014.3 million for the same period in 2013 to RMB713.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at December 31, 2014, our cash and cash equivalents amounted to RMB2,202.9 million, representing an increase of 9.0% from RMB2,020.9 million as at December 31, 2013.

Our primary uses of cash were to pay for the purchases of new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating costs. 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 year ended December 31, 2014, our net cash generated from operating activities was RMB1,478.1 million (2013: RMB703.7 million). The significant growth in cash generated from operating activities indicates the Group's well-functioning amidst rapid development in operating activities.

Net current assets

As at December 31, 2014, we had net current assets of RMB2,494.4 million, representing an increase of RMB1,128.6 million from RMB1,365.8 million as at December 31, 2013.

Capital expenditure

Our capital expenditures primarily comprised expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended December 31, 2014, our total capital expenditures amounted to RMB1,160.9 million (2013: RMB1,289.8 million).

Inventories

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 kept stable by increase in 1.8% from RMB3,002.3 million as of December 31, 2013 to RMB3,056.8 million as of December 31, 2014.

Our average inventory turnover days in the year ended December 31, 2014 increased to 39.6 days from 34.8 days in 2013, primarily due to the average inventory balance during the year of 2014 was higher than that of 2013.

Trade receivables

Trade receivables decreased from RMB556.9 million as at December 31, 2013 to RMB393.2 million as at December 31, 2014, primarily due to the Group strictly controlled trade receivables by reviewing and follow-up on a timely basis.

Bank loans and other borrowings

As at December 31, 2014, the Group's available and unutilized banking facilities amounted to approximately RMB8,325.6 million (December 31, 2013: RMB6,134.4 million).

Our bank loans and other borrowings as at December 31, 2014 were RMB7,728.6 million, representing an increase of RMB706.8 million from RMB7,021.8 million as at December 31, 2013. The increase was due to the working capital requirements from new stores and capital expenditures of the Group in 2014.

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 were denominated in RMB. The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China which had US$ or HK$ as their functional currencies. The Group did not have any material foreign currency transactions in Mainland China for the year ended December 31, 2014. The Group has minimal exposure of foreign currency risk. We have not used any derivative financial instruments to hedge our exposure to the foreign exchange rate risk during the year ended December 31, 2014.

Gearing ratio

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade, bills and other payables, accruals, and bonds less cash and cash equivalents. Our gearing ratio for the year ended December 31, 2014 was 69.5% (December 31, 2013: 69.1%).

Human resources

As at December 31, 2014, the Group had approximately 6,744 employees (December 31, 2013: 6,646). Total staff costs for the year ended December 31, 2014, excluding Directors' remuneration were approximately RMB698.9 million (2013: RMB550.9 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 December 31, 2014, the Group had no significant contingent liabilities (December 31, 2013: Nil).

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at December 31, 2014, the pledged group assets amounted to approximately RMB4,693.3 million (2013: RMB4,716.5 million); the pledged letters of credit with an aggregate credit amount of approximately RMB13.0 million

(2013: RMB613.0 million) and the entire shares in Shanghai Baoxin Automobile Sales & Services Co., Ltd. were pledged, which was released on March 18, 2015.

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

During the year ended December 31, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

OUTLOOK AND STRATEGY

In 2014, the automobile ownership in China has reached 154 million and the annual sales volume, standing at 23.5 million, has been ranking top of the world for six consecutive years. We believe that the growth of sales volume of new automobiles will slow down but a number of 25 to 30 million new automobiles will still be launched to the market every year. The scale of automobile ownership will continue to expand rapidly accordingly. On the other hand, consumer groups are changing as well. Those born in the 1980s and the 1990s gradually become the core consumer groups of automobile, and the proportion of female automobile consumers is increasing as well. All these factors will foster tremendous changes in concepts and modes of consumption. Internet power is rapidly getting access to the various fields of the automobile manufacturing chain. However, we believe that internet cannot replace the traditional offline physical automobile industry in view of its intrinsic special features. Instead, the Internet should be better integrated with the offline physical industry to promote the development of the automobile industry and to improve its general operation efficiency as well as increasing the industry transparency and users' satisfaction.

As the leading group for automobile dealers in China, the Group will live up with the trend and the rapidly-changing market, formulate our strategy prudently and pragmatically so as to seize the market opportunities for the long-term interests. We will continue to enhance our strategic cooperation relations with automobile manufacturers and strengthen the cooperation in terms of automobile finance business, pre-owned automobile market, customer service and human resource development in order to develop diversified sales and marketing channels and improve the competitiveness of the business for after-sales market. In addition, by enhancing the cooperation with major insurance companies and commercial bankers, we will expand the automobile finance and insurance businesses and continue to vigorously develop the emerging businesses such as extended automobile warranty and financial lease. Regarding the internal operation, we will endeavor to increase the retention rate of the customers by repairs and maintenance service and increase the market penetration and profit margin of the automobile finance, insurance and pre-owned automobile businesses. Facing the volatile market environment, we will continue to strictly control the inventory level and costs of operation and management and expand the income sources, aiming to enhance cost-effectiveness.

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 year ended December 31, 2014, the Company has complied with all the code provisions set out in the CG Code, save and except for code provisions A.2.1 and F.1.2.

Under 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.

Under code provision F.1.2, a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointment of Ms. Chan Wai Ling in place of Ms. Pau Lai Mei as the joint company secretary was dealt with by a written resolution in October 2014. The Board considers that, prior to the execution of the written resolution to change the joint company secretary, all Directors were individually consulted on the matter without any dissenting opinion and there was no need to approve the matter by a physical board meeting instead of a written resolution.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 year ended December 31, 2014.

The Board has also adopted the Model Code as guidelines for its 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 employees was noted by the Company.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.05 per ordinary share for the year ended December 31, 2014 (the "**2014 Final Dividend**") (2013: HK$0.15). The proposed dividend payment is subject to shareholder approval. If approved by shareholders, the 2014 Final Dividend is expected to be paid on July 14, 2015 to shareholders whose names appear on the register of members of the Company on July 8, 2015.

2015 AGM

An annual general meeting of the Company (the "**2015 AGM**") will be held on June 18, 2015. The notice of the 2015 AGM and all other relevant document will be despatched to the shareholders of the Company on or around April 20, 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are eligible to attend and vote at the 2015 AGM, the register of members of the Company will be closed from June 16, 2015 to June 18, 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2015 AGM, 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 p.m. on June 15, 2015.

For the purpose of determining shareholders who are entitled to the proposed 2014 Final Dividend, the register of members of the Company will be closed from July 6, 2015 to July 8, 2015, both dates inclusive, for the purpose of ascertaining the shareholders' entitlement to the 2014 Final Dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2014 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 no later than 4:30 p.m. on July 3, 2015.

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 them are the Company's independent non-executive Directors.

The Audit Committee has reviewed the consolidated financial statements for the year ended December 31, 2014, and is of the view that the Group's consolidated financial statements for the year ended December 31, 2014 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's financial results for the year ended December 31, 2014 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Ernst & Young ("EY"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

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

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.klbaoxin.com). The annual report of the Company for the year ended December 31, 2014 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 31, 2015

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