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, 2015

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, 2015, as follows:

FINANCIAL HIGHLIGHTS

- Revenue was RMB14,037.3 million and the after-sales revenue increased by 4.6% to RMB1,758.7 million, as compared to the corresponding period in 2014.
- Gross Profit was RMB1,299.9 million and the gross profit margin was 9.3%.
- Profit attributable to owners of the parent was RMB401.3 million.
- Earnings per share attributable to the ordinary equity holders of the parent were RMB0.16.

SUMMARY OF INTERIM FINANCIAL RESULTS

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Unaudited For the six months ended June 30, 2015** ***RMB'000***	Unaudited For the six months ended June 30, 2014 *RMB'000*
REVENUE	*4(a)*	**14,037,340**	16,285,022
Cost of sales and services provided	*5(b)*	**(12,737,406)**	(14,696,471)
Gross profit		**1,299,934**	1,588,551
Other income and gains, net	*4(b)*	**221,789**	201,772
Selling and distribution costs		**(434,750)**	(440,498)
Administrative expenses		**(267,233)**	(314,043)
Profit from operations		**819,740**	1,035,782
Finance costs	*6*	**(269,632)**	(285,684)
Share of profit of a joint venture		**2,915**	3,392
Share of profit of an associate		**(10,360)**	–
Profit before tax	*5*	**542,663**	753,490
Income tax expense	*7*	**(139,424)**	(193,562)
Profit for the period		**403,239**	559,928
Attributable to:			
Owners of the parent		**401,261**	547,074
Non-controlling interests		**1,978**	12,854
		403,239	559,928
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For profit for the period *(RMB)*	*9*	**0.16**	0.21

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended June 30, 2015 *RMB'000*	Unaudited For the six months ended June 30, 2014 *RMB'000*
Profit for the period	**403,239**	559,928
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**564**	(7,825)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**564**	(7,825)
Other comprehensive income for the period, net of tax	**564**	(7,825)
Total comprehensive income for the period	**403,803**	552,103
Attributable to:		
Owners of the parent	**401,825**	539,249
Non-controlling interests	**1,978**	12,854
	403,803	552,103

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited June 30, 2015** *RMB'000*	Audited December 31, 2014 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,869,117**	3,788,537
Prepaid land lease payment		**603,752**	537,139
Intangible assets		**902,629**	922,189
Prepayments and deposits		**413,088**	498,084
Finance lease receivables		**7,559**	12,207
Goodwill		**100,725**	100,725
Investment in a joint venture		**47,931**	45,016
Investment in an associate		**86,301**	–
Available-for-sale investment		**16,568**	16,573
Deferred tax assets		**74,290**	74,229
Total non-current assets		**6,121,960**	5,994,699
CURRENT ASSETS			
Inventories	*10*	**2,551,172**	3,056,777
Trade receivables	*11*	**285,197**	393,155
Finance lease receivables		**26,588**	12,731
Prepayments, deposits and other receivables		**5,251,004**	5,503,515
Amounts due from related parties		**41,176**	41,063
Pledged bank deposits		**1,157,367**	2,436,468
Cash in transit		**59,556**	134,987
Cash and cash equivalents		**2,168,475**	2,202,892
Total current assets		**11,540,535**	13,781,588
CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**4,968,006**	5,107,438
Trade and bills payables	*13*	**2,506,804**	4,877,913
Other payables and accruals		**431,304**	779,516
Income tax payable		**618,541**	522,339
Dividends payable		**101,244**	–
Total current liabilities		**8,625,899**	11,287,206
Net current assets		**2,914,636**	2,494,382
Total assets less current liabilities		**9,036,596**	8,489,081
NON-CURRENT LIABILITIES			
Bank loans	*12*	**2,854,793**	2,621,136
Bonds	*14*	**405,790**	396,095
Deferred tax liabilities		**324,654**	323,050
Total non-current liabilities		**3,585,237**	3,340,281
Net assets		**5,451,359**	5,148,800

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Unaudited June 30, 2015 *RMB'000*	Audited December 31, 2014 *RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Share capital	**20,836**	20,836
Reserves	**5,368,406**	4,966,581
Proposed final dividend	**–**	101,244
	5,389,242	5,088,661
Non-controlling interests	**62,117**	60,139
Total equity	**5,451,359**	5,148,800

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, 2015 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, 2014, 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 31, 2015. 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 consolidated financial statements for the year ended December 31, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015, noted below.

HKAS 19 Amendments	Amendments to HKAS 19 — *Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements *2010–2012 Cycle*	Amendments to a number of HKFRSs[1]
Annual Improvements *2011–2013 Cycle*	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 July 2014

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*[2]
HKFRS 10 and HKAS 28 (Revised) Amendments	Amendments to HKFRS 10 and HKAS 28 (Revised) — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (Revised) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — *Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKAS 1 Amendments	Amendments to HKAS 1 — *Disclosure Initiative*[1]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 — *Agriculture: Bearer Plants*[1]
HKAS 27(Revised) Amendments	Amendments to HKAS 27 *Equity Method in Separate Financial Statements*[1]
Annual Improvements *2010–2014 Cycle*	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts IFRSs for its annual financial statements

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, 2015, 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, 2015 ***RMB'000***	Unaudited For the six months ended June 30, 2014 *RMB'000*
(a) Revenue		
Revenue from the sale of motor vehicles	**12,275,502**	14,602,903
Finance leasing services	**3,163**	–
Others	**1,758,675**	1,682,119
	14,037,340	16,285,022
(b) Other income and gains, net		
Commission income	**176,034**	170,566
Advertisement support received from motor vehicle manufacturers	**3,215**	3,185
Rental income	**5,750**	3,807
Government grants	**3,752**	3,571
Interest income	**15,308**	15,984
Net loss on disposal of items of property, plant and equipment	**(1,110)**	(67)
Gain on disposal of "Autostreets"	**16,016**	–
Others	**2,824**	4,726
	221,789	201,772

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended June 30, 2015 ***RMB'000***	Unaudited For the six months ended June 30, 2014 *RMB'000*
(a) Employee benefit expense (including Directors' remuneration)		
Wages and salaries	**188,878**	190,983
Other welfare	**91,894**	92,932
Equity-settled share option expense	**–**	8,584
	280,772	292,499
(b) Cost of sales and services		
Cost of sales of motor vehicles	**11,801,698**	13,818,541
Others	**935,708**	877,930
	12,737,406	14,696,471

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

	Unaudited For the six months ended June 30, 2015 *RMB'000*	Unaudited For the six months ended June 30, 2014 *RMB'000*
(c) Other items		
Depreciation of items of property, plant and equipment	**148,336**	145,686
Recognition of prepaid land lease payments	**4,943**	3,116
Amortisation of intangible assets	**18,528**	19,904
Advertisement and business promotion expenses	**55,256**	76,921
Bank charges	**31,777**	29,619
Lease expenses	**82,294**	74,715
Logistics and gasoline expenses	**37,204**	40,757
Office expenses	**9,976**	11,557

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2015 *RMB'000*	Unaudited For the six months ended June 30, 2014 *RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**275,482**	288,355
Interest expense on other borrowings	**566**	1,484
Interest expense on bonds	**10,048**	10,066
Less: Interest capitalised	**(16,464)**	(14,221)
	269,632	285,684

7. INCOME TAX EXPENSE

	Unaudited For the six months ended June 30, 2015 *RMB'000*	Unaudited For the six months ended June 30, 2014 *RMB'000*
Current:		
Mainland China corporate income tax	**143,724**	208,943
Deferred tax	**(4,300)**	(15,381)
Total tax charge for the period	**139,424**	193,562

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, 2014: 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, 2014: 25%).

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: 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, 2015 and 2014, respectively.

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2015 and 2014 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, 2015	Unaudited For the six months ended June 30, 2014
Earnings		
Profit attributable to ordinary equity holders of the parent *(RMB'000)*	**401,261**	547,074
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)*	**0.16**	0.21

10. INVENTORIES

	Unaudited June 30, 2015 *RMB'000*	Audited December 31, 2014 *RMB'000*
Motor vehicles	**2,247,971**	2,752,913
Spare parts and accessories	**303,201**	303,864
	2,551,172	3,056,777

11. TRADE RECEIVABLES

	Unaudited June 30, 2015 *RMB'000*	Audited December 31, 2014 *RMB'000*
Trade receivables	**285,197**	393,155

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, 2015 *RMB'000*	Audited December 31, 2014 *RMB'000*
Within 3 months	**240,884**	343,982
More than 3 months but less than 1 year	**27,888**	47,211
Over 1 year	**16,425**	1,962
	285,197	393,155

Trade receivables are non-interest-bearing.

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited As at June 30, 2015			Audited As at December 31, 2014		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans	**6.6**	**on demand**	**29,000**	6.6	on demand	29,000
	Libor+2.7	**on demand**	**183,486**	Hibor+2.2	on demand	184,869
	Hibor+1.4	**2016**	**299,672**	Libor+2.67	on demand	299,433
	1.6–7.0	**2016**	**3,322,154**	6.2-6.8	2015	251,292
				Libor+2.2	2015	198,014
				5.6–6.7	2015	2,962,874
Current portion of long term bank loans	**Libor+3.0**	**2016**	**12,072**	6.8	2015	140,000
	Libor+3.7	**2016**	**405,943**	Libor+3.0	2015	11,901
	Libor+3.5	**2016**	**611,360**	Libor+3.5	2015	917,850
Other Borrowings	**8.5**	**2016**	**104,319**	7.7–9.1	2015	112,205
			4,968,006			5,107,438
Non-Current						
Bank loans	**Libor+3.7**	**2016**	**720,678**	Libor+3.5	2016	302,207
	Libor+3.5	**2016**	**305,044**	Libor+3.7	2016	1,028,116
	Libor+3.7	**2017**	**1,099,007**	Libor+3.7	2017	1,290,813
	Libor+3.5	**2018**	**730,064**			–
			2,854,793			2,621,136
			7,822,799			7,728,574

13. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2015 *RMB'000*	Audited December 31, 2014 *RMB'000*
Trade payables	**162,189**	125,299
Bills payable	**2,344,615**	4,752,614
Trade and bill payables	**2,506,804**	4,877,913

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

	Unaudited June 30, 2015 *RMB'000*	Audited December 31, 2014 *RMB'000*
Within 3 months	**2,348,556**	4,784,702
3 to 6 months	**144,764**	82,650
6 to 12 months	**3,722**	930
Over 12 months	**9,762**	9,631
	2,506,804	4,877,913

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

14. BONDS

As at June 30, 2015, outstanding bonds are summarised as follows:

	Face value *USD'000*	**Maturity**	**Fixed interest rate**	**Unaudited June 30, 2015** *RMB'000*	Audited December 31, 2014 *RMB'000*
Bonds	58,160	2017	5.65%	**405,790**	396,095

15. DEEMED DISPOSAL OF A SUBSIDIARY

In January 2015, "Autostreets", a former subsidiary of the Company, accepted capital injection from other independent third parties. Accordingly, the Company's equity interest in "Autostreets" was decreased from 100% to 38%. The Company lost its control over "Autostreets" after its equity interest in "Autostreets" was diluted on January 28, 2015 (the "**Deemed Disposal**"). Therefore, the investment in Auto Street has not been included in the investments in subsidiaries since January 28, 2015. The details of the net assets disposed of are as follows:

	January 28, 2015
	RMB'000
Net assets disposed of	
Cash and cash equivalents*	100,151
Property, plant and equipment	22,869
Intangible assets	512
Deferred tax assets	5,843
Prepayments, deposits and other receivables	2,056
Other payables and accruals	(47,157)
Due to related parties	(3,629)
Net assets	80,645
Net assets disposed of	80,645
Gain on deemed disposal of "Autostreets"	16,016
Investments in an associate	96,661
Satisfied by:	
Cash	–

The Company recognized a total of gain amounting to RMB16.0 million, from the Deemed Disposal in 2015.

An analysis of the cash flows of cash and cash equivalents in respect of the Deemed Disposal is as follows:

	2015
Cash consideration	–
Less: cash and cash equivalents of "Autostreets" disposed of	(100,151)
Net outflows of cash and cash equivalents in respect of the Deemed Disposal	(100,151)

* *including new capital injection of RMB98,452,249 as at January 28, 2015*

16. EVENT AFTER THE REPORTING PERIOD

The Company and Orient Rich Investment Development Limited ("**Orient Rich**") entered into a sale and purchase agreement on August 28, 2015, pursuant to which the Company has agreed to sell and Orient Rich has agreed to purchase the entire issued share capital of Extensive Prosperous Investments Limited which in turn holds 38% equity interest in "Autostreets". Upon completion of the transaction, the Company will have no equity interest in "Autostreets". There is no other significant subsequent event undertaken by the Company or by the Group after June 30, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

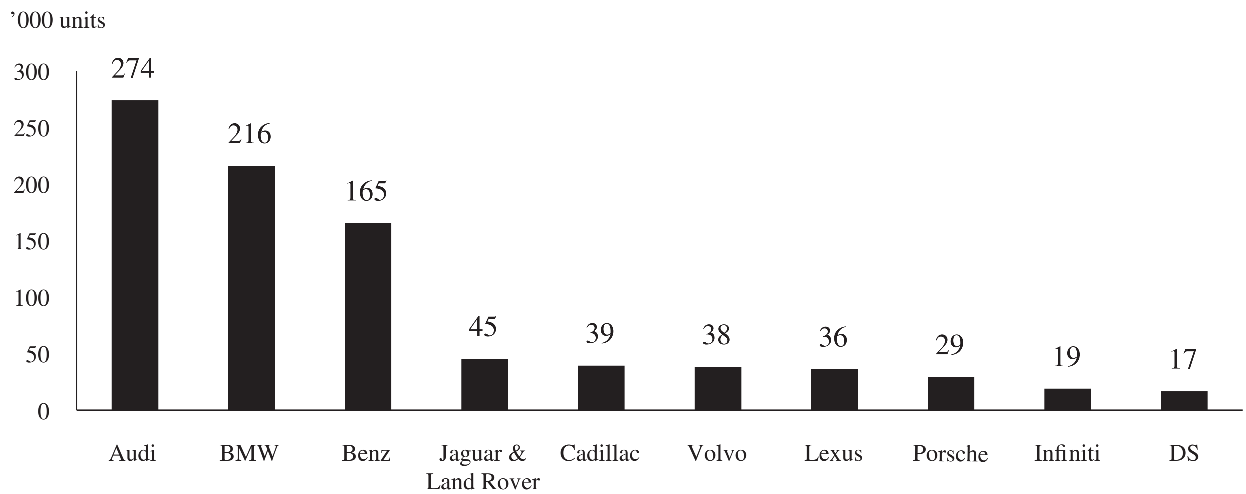
INDUSTRY OVERVIEW

Looking back to the first half of 2015, in the face of difficult economic conditions both at home and abroad and the ever-growing downward economic pressure, the Chinese macro-economy continued to grow at a slower pace, the GDP growth further decelerated to 7.0%, representing the lowest growth recorded since the global financial crisis in 2008. China's automobile market has weakened under the downward economic pressure. According to the statistic analysis of the China Association of Automobile Manufacturers, the automobile production and sales volume in the first half of 2015 amounted to 12.10 million units and 11.85 million units, representing a year-on-year growth of 2.6% and 1.4%, respectively, while the growth rate decreased by 7 and 6.9 percentage point, respectively. The figures disclosed by the China Passenger Car Association (全國乘用車市場信息聯席會) even indicated a negative growth in May 2015 and June 2015. The growth in sales of SUV and MPV slowed down, representing a year-on-year growth of 45.9% and 15.3%, respectively. In addition, the implementation of the policy on automobile purchase restrictions in tier-1 cities and the rapid growth in automobile ownership in recent years also aggravate the daunting situation.

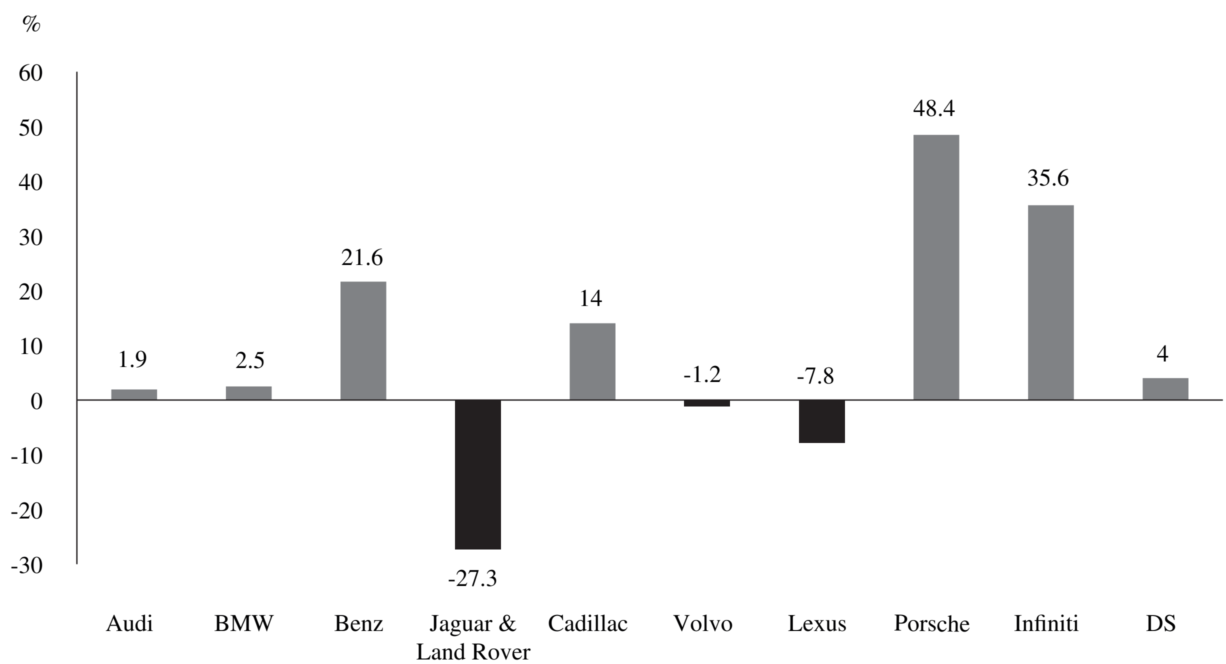
In line with the overall performance of China's automobile market, the luxury automobile market also dampened. Statistics published by the State Information Center indicate the sales volume of luxury automobile increased by 4.8% in the first half of the year (Note: representing the comparison of the aggregated sales volume of the top ten luxury automobile brands, in the order of Audi, BMW, Benz, Jaguar & Land Rover, Cadillac, Volvo, Lexus, Porsche, Infiniti and DS). Among the three major German brands (i.e., Audi, BMW and Benz), the sales volume of Audi and BMW in the first half of the year were 273,900 units and 230,600 units, representing a year-on-year increase of 1.9% and 2.5%, respectively. Audi and BMW remain the top two best sellers among luxury brands, yet the declining tendency is significant comparing to the increase of 17.8% and 23.1% for the same period last year. In particular, both Audi and BMW recorded a drop in sales volume in May 2015 and June 2015, which is uncommon in recent years. Among the second-tier luxury brands such as Jaguar & Land Rover, Cadillac, Infiniti and Porsche, the performance became more polarized. The total sales volume of Jaguar & Land Rover in the first half of the year was 45,400 units, representing a significant year-on-year decrease of 27.3% from 62,500 units of last year. On the other hand, Cadillac, Infiniti and Porsche have sustained their double-digit leap in sales volume in the first half of the year, representing a year-on-year increase of 14.0%, 35.6% and 48.4%, respectively. Amid the weakening sales growth in China, luxury automobile brand manufacturers expressed intention to provide subsidies to dealers in China, optimize the dealer assessment system, improve internal process and speed up the return and reimbursement processes for dealers. The luxury automobile brand manufacturers are also planning to provide assistances to dealers in China to develop new business sectors in respect of after-sales services, pre-owned automobile transactions and financing services, and to introduce high-performance models to explore their markets, in order for the dealers to cope with competitions and maintain healthy growth. Brands such as BMW, Jaguar & Land Rover and Audi have set lower sales target for the Chinese market in 2015 to alleviate the problem of oversupply. Further, the Administrative Measures regarding Sales of Branded Automobiles (汽車品牌銷售管理實施方法) was amended, which will further balance the interests between dealers, automobile manufacturers and consumers and bring down the operating costs and risks of the dealers.

Sales volume and year-on-year growth rate of top ten luxury brands in China in the first half of 2015

Sales Volume



Year-on-year growth rate



In the first half of this year, luxury automobile brands experienced a substantial fall in prices. As prices were affected by anti-trust investigations and depressing external market, more discounts have been offered to end users, therefore prices continued to fall. In order to boost sales volume and reduce the inventory level of the dealers, various brands announced reduction on retail price or upgrade of configuration for certain models. For example, BMW has lowered the official guided price for the 5 series GT and the 6 series, with a reduction of up to RMB71,000. Jaguar & Land Rover also announced to lower the official guided price of its domestically manufactured model, Evoque, with the rate of downward adjustment ranging from RMB30,000 to RMB50,000. According to the statistics, prices of imported automobiles in the first half of this year recorded a year-on-year decrease of 4%. Meanwhile, the latest statistics published by the China Automobile Dealers Association revealed that the inventory alert index of Chinese automobile dealers was 64.6% in June this year, representing a month-on-month increase of 7.3% or an increase of 5.7% as compared to the same period last year. This is also the ninth consecutive months in which the inventory alert index exceeded the early-warning level. At the same time, according to the latest Analysis Report for Imported Automobile Market issued by China Automobile Dealers Association, there was a total of 95,300 units of imported automobiles, representing a year-on-year decrease of 22.3%. As a result of the decrease in sales volume, the average inventory period of imported automobile reached 143 days in June, which is much higher than the normal level ranging from 24 days to 36 days.

As at mid-2015, civil car ownership in China has exceeded 150 million units. The growth in automobile consumption will more likely to be driven by the demand for replacements in the future. Despite the gradual slowdown of sales growth of new automobiles, the market of after-sales services and pre-owned automobile will continue to maintain its strong momentum. The sales volume of new automobiles in China has exceeded 23 million units in 2014 while the market of automobile after-sales reaching RMB1,000 billion. With the popular use of internet and the concept of "Internet+" promoted by the Chinese government, apart from engaging in the traditional after-sales market focusing on the car repair and accessory industry, the automobile after-sales market will also capture new investment opportunities arising from automobile O2O business. As the automobile industry of China is consistently developing and becoming more mature, the demand for automobile replacements is expected to increase. The gradual change in consumers' spending attitudes and the introduction of internet platform will allow the pre-owned automobile market to develop rapidly. According to statistics from the China Automobile Dealers Association, the overall trading volume in pre-owned automobile market in China was 4,609,000 units in the first six months of this year, representing a year-on-year growth of 5.8%. The growth potential for auto financing in China is enormous, with the increasing public acceptance and rising consumption level, the size of consumer auto loan market in China has been constantly expanding. The emergence of various automobile financing institutions has also stimulated the growth in consumer auto financing market. The penetration rate of auto financing in China is far lower than the developed countries, implying that the auto financing market in China still has much room for development.

BUSINESS OVERVIEW

Since the beginning of 2014, the automobile industry had been under pressure as a result of the introduction of a series of automobile policies. In the first half of 2015, the overall economy continued to show a downward trend, there was still imbalance supply and demand of the automobile market and the stock market was highly volatile. The overall sales trend of the automobile industry have been under the negative influence of various factors and the intensified competition resulted from the demand drop for new cars, continued price and profit decline and rising inventory pressure of the Chinese auto dealers industry. The group has taken a more defensive strategy for dealer network expansion and new car sales, and at the same time, the Group also strengthened its control over operating cost and financial expenses and made efforts to improve cash flow and enhance corporate operational structure.

Defensive strategies on new car sales and dealer network expansion

The first six months of 2015 was a challenging period for new automobile business, except for a rebound after the Chinese New Year in March 2015. The sales growth of automobile continued to linger at low levels, particularly in June 2015, and the sales of automobile recorded a year-on-year decrease, which is uncommon in recent years. The four major types of automobile also showed a month-on-month downward trend simultaneously. As compared to the same period last year, only sales of SUV maintained a relatively rapid growth, while all other types have shown a downward trend. Due to weak market demand and greater inventory risk, the Group remained prudent towards the growth of new automobile sales, so as to prevent the risk of overstock and maintain a stable profit. The Group has adjusted the wholesale targets of certain outlets since the second quarter to slow down the pick-up rate and strictly control the inventory level. For the six months ended June 30, 2015, the Group sold a total of 32,697 new vehicles, representing a decrease of approximately 11.0% as compared to the same period in 2014; of which 28,015 were sales of automobiles from luxury and ultra-luxury brands, representing a year-on-year decrease of 8.4%. In line with the dramatic drop in the sales of Jaguar & Land Rover in the Chinese market, the Group's sales of Jaguar & Land Rover for the period also decreased by 40.3%.

As at June 30, 2015, the Group's total inventory decreased by 16.5% from RMB3,056.8 million as at December 31, 2014 to RMB2,551.2 million as at June 30, 2015, representing an average turnover days of 40.3 days, which was well below industry average level. The decrease in inventory is primarily due to the Group's stringent inventory control policies and appropriate marketing strategies.

At the end of 2014, China Automobile Dealers Association stated that only 30% of the dealers were profitable. The number further declined in the first half of the year, according to the China Auto Dealers Chamber of Commerce, 90% of the dealers were experiencing a loss and quitted the market one after another. Such experiences were also observed in a number of well-established large and medium-sized dealers. Under the influence of such market conditions, the Group had made swift adjustments leveraging its extensive experience in management and its successful brand strategy. With the priority to protect its profits, the Group consolidated the 4S stores, lowered sales targets to prevent offering of greater discount for new vehicles and actively communicated with the manufacturers. As at June 30, 2015, the

Group's gross profit margin from sales of new cars was 3.9%, while the gross profit margin from sales of new cars of luxury and ultra-luxury brands reached 4.1%, which was well above industry average.

The Group did not open any new store in the first six months of 2015.

Stable growth in after-sales services

During the first six months of 2015, the Group further refined and implemented the growth strategies for after-sales services and consolidated and renovated a number of outlets. The after-sales repair and maintenance business experienced strong rebound as compared to the second half of 2014. For the six months ended June 30, 2015, revenue from the after-sales services amounted to RMB1,758.7 million, representing an increase of 4.6% and 27.7% as compared to the same period of 2014 and the second half of 2014 respectively, and accounted for 12.5% of the total revenue. The revenue generated from after-sales services for luxury and ultra-luxury brands amounted to RMB1,692.7 million, representing an increase of 7.4% as compared to RMB1,575.5 million of the same period in 2014, and accounted for 96.2% of the total revenue of after-sales services. While the after-sales services market was experiencing a stable growth, the gross profit margin remained as high as 46.8%.

Vehicle value-added services maintained a stable growth

For the six months ended June 30, 2015, despite a decrease in new cars sales, vehicle value-added service businesses, including automobile insurance, auto financing and trading of pre-owned vehicles, continued to grow at a stable pace. As at June 30, 2015, the commission income from vehicle value-added services amounted to RMB176.0 million, representing an increase of 3.2% as compared to the same period in 2014.

Insurance Business

During the first six months of 2015, the new vehicles market continued to decline and with the increasing competition, the Group proactively strengthened its efforts in business tracking, enhanced the assessment mechanisms and fostered the cooperation and synergy with insurance companies to launch promotion projects, thereby achieving a growth of 4.8% in commission income as compared to the same period in 2014. In particular, the business of renewal of insurances and extended warranty shown significant increase. The year-on-year volume growth of renewal of insurance was 20% while the growth in premium of insurance renewal was 20%. The gap between the Share of insurance renewal customers and new automobile insurance customers continued to widen, with the proportion of insurance renewal to total insurance business increased by 7% while the proportion of premium of insurance renewal to total insurance premium increased significantly from 40% to 48%; the year-on-year volume growth of extended warranty was 36%.

Automobile Financing

As at June 30, 2015, the automobile financing penetration rate within the Group's new automobile transactions was 33%, significantly increased by 7 percentage point as compared to the same period in 2014 and the year-on-year growth of financial service throughputs was 9.3%; the commission income derived from automobile financing grew by 6.9% year on year. Taking into account the lagging factors of finance commission as well as the simultaneous growth in finance penetration rate and finance service throughputs, it is expected that the growth in commission will be promising in the future. Under the solid supports from manufacturers such as BMW Finance, Audi and Volvo, the Group is actively expanding the strategic cooperation with major commercial banks and enhancing the training for employees on financial products and marketing. The Group will fully leverage the automobile financing policy offered by the commercial banks and manufacturers to provide its customers with fast, convenient and more personalised credit finance products, thereby generating more commission income.

Pre-owned Automobile Business

Under the influence of the overall downward movement of the new automobile market, there is a significant increase in the demand for replacements and trade volume of pre-owned automobile despite the unexpected sluggish growth of the Group's new vehicle sales in the first half of 2015. The trade-in ratio increased by 5 percentage point and trade volume of pre-owned automobile was 25% higher as compared to the same period last year. Currently, the pre-owned automobile market in China is facing shortage of quality automobile. As such, the Group, as a major luxury brand dealership group, has its inherent advantage of having the access to pre-owned automobiles. As for sales, we strived to maximise the profit by conducting sales in different channels such as auction and retails, depending on the models and conditions of the automobiles. We strongly believe that the business opportunities in the Chinese pre-owned automobile market is huge and it is growing at a much higher pace than the new automobile market. By developing and utilising the auction platform for pre-owned automobiles, the gross profit margin of the Group's pre-owned automobiles has achieved notable increase.

Enhancing efforts in cost control, improving capital efficiency and optimizing organizational structure

During the first six months of 2015, given the continuous volatile macro-economy, the Group strived for delivering maximum profit for the shareholders by enhancing its efforts in various measures on cost control. For the six months ended June 30, 2015, sales and marketing costs, administrative costs and financing costs of the Group amounted to RMB971.6 million, representing a year-on-year decrease of 6.6%; and accounted for 6.9% of the total revenue.

Regarding the control on sales and operating costs, the Group made significant adjustments to internal policies according to the market trend and exercised stringent control over staff cost with an aim to enhance efficiency. Meanwhile, the Group reduced expenses on marketing and launched more effective promotions, which were tailor-made for customers' needs. Analysis has also been conducted on the existing customer flow structure, with a view to effectively managing the customer flow, thereby enhancing brand awareness and loyalty to the Group. As at June 30, 2015, the Group's expenses on advertisements decreased by 28.2% year-on-year to RMB55.3 million.

As for financing costs, the Group minimized the increasing funding costs resulted from the slowdown of inventory turnover by strictly controlling the inventory level. Meanwhile, the Group further enhanced capital utilization, reduced the proportion of security deposits kept in banks and the usage of bank notes. In August 2015, the Group successfully further obtained a US$242 million syndicated loan in Hong Kong, with a three-year term and low interest rate at Libor+3.7%, which is considerably lower than on-shore funding costs. By progressively adjusting its debt structure, the Group has been effectively controlling its financial gearing and debt level.

In the second half of the year, affected by various favorable factors such as solid support from BMW Finance to the general cooperation with the Group's wholesale business, the BMW stores of the Group will officially commence its auto financing business with BMW Finance in September 2015. This is a special project set up by the BMW manufacturer and BMW Finance, which aims to support the dealers by providing them with low-cost and convenient financing proposals. BMW Finance, being an established company, allow shorter approval time to provide financing for wholesale business. This project will gradually help solving and partly overcome the impediment of the requirements of high security deposit ratio in bank loans and high-cost loan businesses, enabling the Company to further control and lower its financial cost.

In the second quarter of 2015, the Group was awarded Best Regional Renminbi Solution award in the "2014 Triple A Awards" contest organized by The Asset, an authoritative financial magazine. This is the second international recognition the Group has attained for its cash management business following the honour of the "Best Cash Management: Highly Commended" of The Tao Zhu Gong Awards 2014 by EuroFinance, demonstrating the general acceptance and high accreditation of the Group by international financial institutions and corporations.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2015, our revenue was RMB14,037.3 million, representing a decline of approximately 13.8% compared to the same period in 2014. The decrease was primarily due to a decrease of RMB2,327.4 million, or 15.9%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2014.

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

	Unaudited For six months ended June 30, 2015		Unaudited For six months ended June 30, 2014	
Revenue Source	**Revenue** *(RMB'000)*	**Contribution** *(%)*	Revenue *(RMB'000)*	Contribution *(%)*
Automobile sales	**12,275,502**	**87.4**	14,602,903	89.7
After-sales business	**1,758,675**	**12.5**	1,682,119	10.3
Finance lease income	**3,163**	**0.1**	–	–
Total	**14,037,340**	**100.0**	16,285,022	100.0

Revenue from the sales of automobiles decreased by RMB2,327.4 million due to (1) the prudent sales approach adopted by the Group, in view of the weakening market demand, in order to maintain a healthy inventory level and stable profit and (2) the change in the automobile models sold and discounts offered for specific automobile models.

Automobile sales generated a substantial portion of our revenue, accounted for 87.4% of our revenue for the six months ended June 30, 2015. Revenue generated from the sale of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 94.5% (six months ended June 30, 2014: 94.6%) and 5.5% (six months ended June 30, 2014: 5.4%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 4.6% from RMB1,682.1 million for the six months ended June 30, 2014 to RMB1,758.7 million for the same period in 2015. The Group continues to focus on, and is strengthening the management of, its after-sales business. With the tightening gross profit of automobile sales, the Group exerted greater efforts in retaining customers in repair services, and sought to attract existing customers and explore new customer network through various marketing strategies, so as to maintain a steady growth in after-sales services. In addition, the Group proactively expanding the scope of its after-sales services and thus achieved a relatively significant growth in various service items such as decoration and detailing, while continuing to provide reliable repair and maintenance services. The relative contribution of our after-sales business to our revenue increased from 10.3% for the six months ended June 30, 2014 to 12.5% for the same period in 2015.

Cost of sales and services

For the six months ended June 30, 2015, our cost of sales and services decreased by 13.3%, from RMB14,696.5 million for the same period in 2014 to RMB12,737.4 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB11,801.7 million for the six months ended June 30, 2015, representing a decrease of RMB2,016.9 million, or 14.6%, from the same period in 2014. The cost of sales attributable to our after-sales business amounted to RMB935.6 million for the six months ended June 30, 2015, representing an increase of RMB57.7 million, or 6.6%, from the same period in 2014.

Gross profit and gross profit margin

Gross profit for the six months ended June 30, 2015 was RMB1,299.9 million, representing a decrease of RMB288.7 million, or 18.2%, from the same period in 2014. Gross profit from automobile sales decreased by 39.6% from RMB784.4 million for the six months ended June 30, 2014 to RMB473.8 million for the same period in 2015, of which RMB479.1 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 2.4% from RMB804.2 million for the six months ended June 30, 2014 to RMB823.1 million for the same period in 2015. Automobile sales and after-sales business contributed 36.4% and 63.3%, respectively, to the total gross profit for the six months ended June 30, 2015.

Gross profit margin for the six months ended June 30, 2015 was 9.3% compared to 9.8% of the same period last year, of which the gross profit margin of automobile sales was 3.9% compared to 5.4% of the same period last year, and after-sales business was 46.8% compared to 47.8% of the same period last year. The decrease in gross profit from sales of automobile was mainly due to the weakening market demand and drop in sales price. The slight decrease in gross profit margin from after-sales business was the result of decline in average selling price of after-sales business.

Other income and net gains

Other income and net gains increased by 9.9% from RMB201.8 million from the six months ended June 30, 2014 to RMB221.8 million for the same period in 2015. Among which, the service fee income and commission income slightly increased from RMB170.6 million for the six months ended June 30, 2014 to RMB176.0 million for the same period of 2015.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended June 30, 2015 decreased by 20.9% from RMB1,035.8 million in the same period last year to RMB819.7 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended June 30, 2015 decreased by 28.0% from RMB559.9 million in the same period last year to RMB403.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

As at June 30, 2015, our cash and cash equivalents amounted to RMB2,168.5 million, representing a decrease of 1.6% from RMB2,202.9 million as at December 31, 2014.

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, 2015, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB448.1 million (six months ended June 30, 2014: RMB330.6 million), RMB318.0 million (six months ended June 30, 2014: RMB599.5 million), and RMB164.7 million (six months ended June 30, 2014: RMB178.8 million), respectively.

Net Current Assets

As at June 30, 2015, we had net current assets of RMB2,914.6 million, representing an increase of RMB420.2 million from RMB2,494.4 million as at December 31, 2014.

Capital Expenditure

Our capital expenditures primarily comprise expenditures on property, plant and equipment, land use rights and intangible assets. During the six months ended June 30, 2015, our total capital expenditure was RMB375.5 million (six months ended June 30, 2014: RMB551.9 million).

Inventory

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

Our inventories decreased by 16.5% from RMB3,056.8 million as at December 31, 2014 to RMB2,551.2 million as at June 30, 2015, the decrease in inventory is primarily due to the decrease in inventory turnover days and inventory level as the Group strictly controlled the inventory level and the timeline of sales based on the market condition.

Our average inventory turnover days in the six months ended June 30, 2015 decreased to 40.3 days from 43.2 days as compared to the same period in 2014 primarily due to the stringent inventory control policies, strict inventory monitoring and appropriate marketing strategies adopted according to market condition.

Bank loans and other borrowings

As at June 30, 2015, the Group's available and unutilized banking facilities amounted to approximately RMB10,279.2 million (December 31, 2014: RMB8,325.6 million).

Our bank loans and other borrowings as at June 30, 2015 were RMB7,822.8 million, an increase of RMB94.2 million from RMB7,728.6 million as at December 31, 2014. Bank loans remained basically flat as compared with the same period last year with no significant change.

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 concluded 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$ 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, 2015. 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, 2015.

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, 2015 was 62.5% (December 31, 2014: 69.5%).

Human resources

As at June 30, 2015, the Group had approximately 6,158 employees (December 31, 2014: 6,744). Total staff costs for the six months ended June 30, 2015, excluding directors' remuneration were approximately RMB280.8 million (six months ended June 30, 2014: RMB287.6 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, 2015 and December 31, 2014, the Group had no significant contingent liabilities.

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letter of credits as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at June 30, 2015, the pledged group assets amounted to approximately RMB2,705.3 million (December 31, 2014: RMB4,693.3 million); the pledged letter of credits had an aggregate credit amount of approximately RMB13.0 million (December 31, 2014: RMB13.0 million).

Changes since December 31, 2014

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, 2014.

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, 2015 and at and before the date of this announcement.

FUTURE OUTLOOK AND STRATEGY

In the first half of 2015, despite the gradual slowdown of sales growth of new automobiles, the after-sale services market and pre-owned car sales will continue to maintain its strong momentum. With the popular use of internet and the concept of "Internet+" promoted by the government, apart from engaging in the traditional after-sales market focusing on the car repair and accessory industry, the automobile after-sales market will also capture new investment opportunities arising from automobile O2O business. As the leading automobile dealer group in China, we will continue to perfect and implement prudent business strategies with timely adjustment on the development directions. We will also live up with the trend and seize the market opportunities to continue to enhance our strategic cooperation partnerships with OEMs and strengthen the cooperation in terms of auto financing business, pre-owned automobile market and staff training. In addition, by enhancing the cooperation with major insurance companies and commercial banks, we will expand the automobile insurance and auto financing businesses with a view to raising the financing penetration rate and insurance retention rate. 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 six months ended June 30, 2015, 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, 2015.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: 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 reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2015 and are of the view that the Group's condensed consolidated financial statements for the six months ended June 30, 2015 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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, 2015 will be despatched 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 31, 2015

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.