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, 2013

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, 2013, as follows:

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2013:

- Revenue increased by 66.5% to RMB15,001.9 million as compared to the corresponding period in 2012, especially the after-sales revenue, which increased by 128.3% to RMB1,404.2 million.
- Gross profit increased by 95.7% to RMB1,470.7 million as compared to the corresponding period in 2012.
- Profit attributable to owners of the parent increased by 53.5% to RMB511.3 million as compared to the corresponding period in 2012.
- Basic earnings per share increased by 53.8% to RMB0.20 as compared to the corresponding period in 2012.

SUMMARY OF INTERIM FINANCIAL RESULTS

CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	**Unaudited For the six months ended June 30, 2013 *RMB'000***	Unaudited For the six months ended June 30, 2012 *RMB'000*
REVENUE	*4(a)*	**15,001,877**	9,011,496
Cost of sales and services provided	*5(b)*	**(13,531,195)**	(8,260,118)
Gross profit		**1,470,682**	751,378
Other income and gains, net	*4(b)*	**169,274**	93,671
Selling and distribution costs		**(436,995)**	(169,390)
Administrative expenses		**(290,548)**	(102,322)
Profit from operations		**912,413**	573,337
Finance costs	*6*	**(238,455)**	(135,571)
Share of profits of a jointly-controlled entity		**4,522**	8,290
Profit before tax	*5*	**678,480**	446,056
Tax	*7*	**(158,639)**	(109,400)
Profit for the period		**519,841**	336,656
Attributable to:			
Owners of the parent		**511,282**	333,188
Non-controlling interests		**8,559**	3,468
		519,841	336,656
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For profit for the period *(RMB)*	*9*	**0.20**	0.13

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Unaudited For the six months ended June 30, 2013	Unaudited For the six months ended June 30, 2012
	RMB'000	*RMB'000*
Profit for the period	**519,841**	336,656
Other comprehensive income		
Exchange differences on translation of foreign operations	**9,936**	12,074
Other comprehensive income for the period, net of tax	**9,936**	12,074
Total comprehensive income for the period, net of tax	**529,777**	348,730
Attributable to:		
Owners of the parent	**521,218**	345,262
Non-controlling interests	**8,559**	3,468
	529,777	348,730

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited June 30, 2013** *RMB'000*	Restated December 31, 2012 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,030,918**	2,720,264
Land use rights		**274,837**	277,176
Intangible assets		**957,921**	982,560
Prepayments		**186,650**	163,627
Goodwill		**75,674**	75,674
Investment in a jointly-controlled entity		**32,211**	27,689
Available-for-sale investment		**16,736**	17,035
Deferred tax assets		**68,879**	55,486
Total non-current assets		**4,643,826**	4,319,511
CURRENT ASSETS			
Inventories	*10*	**3,139,976**	2,174,650
Trade and bills receivables	*11*	**784,019**	1,352,173
Prepayments, deposits and other receivables		**3,828,320**	3,307,556
Amounts due from related parties		**42,835**	42,969
Pledged bank deposits		**2,267,192**	2,614,531
Cash in transit		**101,544**	88,166
Cash and cash equivalents		**2,507,172**	2,668,169
Total current assets		**12,671,058**	12,248,214
CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**6,643,644**	5,757,810
Trade and bills payables	*13*	**4,359,169**	4,414,598
Other payables and accruals		**527,834**	878,275
Amounts due to related parties		**1,706**	1,353
Income tax payable		**321,307**	168,437
Dividends payable		**203,715**	–
Total current liabilities		**12,057,375**	11,220,473
Net current assets		**613,683**	1,027,741
Total assets less current liabilities		**5,257,509**	5,347,252

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**Unaudited June 30, 2013** *RMB'000*	Restated December 31, 2012 *RMB'000*
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	*12*	**360,077**	779,789
Bonds	*14*	**369,506**	365,566
Deferred tax liabilities		**266,389**	267,246
Total non-current liabilities		**995,972**	1,412,601
Net assets		**4,261,537**	3,934,651
EQUITY			
Equity attributable to owners of the parent			
Share capital		**20,836**	20,836
Reserves		**4,171,132**	3,645,484
Proposed final dividend		**–**	207,321
		4,191,968	3,873,641
Non-controlling interests		**69,569**	61,010
Total equity		**4,261,537**	3,934,651

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, 2013 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, 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The condensed consolidated interim financial statements were presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on August 30, 2013. These condensed consolidated interim financial statements have not been audited.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2012, except for the adoption of the new standards and interpretations as of January 1, 2013, noted below.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

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, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after January 1, 2014
2 Effective for annual periods beginning on or after January 1, 2015

3. SEGMENT INFORMATION

The Group is principally engaged in the sale and service of motor vehicles. For management purposes, the Group operates in single business unit based on its products, and has one reportable segment which includes the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical area

Since all of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and all of the Group's non-current assets other than deferred tax assets were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended June 30, 2013, 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, 2013 *RMB'000*	Unaudited For the six months ended June 30, 2012 *RMB'000*
(a) Revenue		
Revenue from the sale of motor vehicles	**13,597,645**	8,396,369
Others	**1,404,232**	615,127
	15,001,877	9,011,496
(b) Other income and gains, net		
Commission income	**122,151**	68,796
Advertisement support received from motor vehicle manufacturers	**5,771**	5,863
Rental income	**537**	275
Government grants	**1,688**	1,748
Interest income	**17,109**	14,209
Net gain/(loss) on disposal of items of property, plant and equipment	**(1,915)**	1,114
Foreign exchange gain	**13,749**	–
Gains on disposal of a subsidiary	**2,212**	–
Others	**7,972**	1,666
	169,274	93,671

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended June 30, 2013 *RMB'000*	Unaudited For the six months ended June 30, 2012 *RMB'000*
(a) Employee benefit expense (including Directors' remuneration)		
Wages and salaries	**164,189**	48,605
Other welfare	**75,033**	18,948
Equity-settled share option expense	**4,430**	–
	243,652	67,553
(b) Cost of sales and services		
Cost of sales of motor vehicles	**12,799,338**	7,941,520
Others	**731,857**	318,598
	13,531,195	8,260,118
(c) Other items		
Depreciation of items of property, plant and equipment	**98,958**	35,775
Amortization of land use rights	**2,714**	638
Amortization of intangible assets	**24,024**	202
Advertisement and business promotion expenses	**94,915**	51,224
Bank charges	**41,160**	7,111
Lease expenses	**84,529**	30,151
Logistics and petroleum expenses	**29,120**	12,598
Office expenses	**11,131**	4,854

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2013 *RMB'000*	Unaudited For the six months ended June 30, 2012 *RMB'000*
Interest expense on bank borrowings wholly repayable within five years	**241,178**	142,819
Interest expense on other borrowings	**4,635**	2,501
Interest expense on bonds	**10,243**	–
Less: Interest capitalised	**(17,601)**	(9,749)
	238,455	135,571

7. TAX

	Unaudited For the six months ended June 30, 2013	Unaudited For the six months ended June 30, 2012
	RMB'000	*RMB'000*
Current:		
Mainland China corporate income tax	**172,889**	108,854
Hong Kong corporate income tax	**–**	478
Deferred tax	**(14,250)**	68
	158,639	109,400

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, 2012: 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, 2012: 25%).

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2013 (six months ended June 30, 2012: 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, 2013 and 2012, respectively.

	Unaudited For the six months ended June 30, 2013	Unaudited For the six months ended June 30, 2012
Earnings		
Profit attributable to ordinary equity holders of the parent *(RMB'000)*	**511,282**	333,188
Shares		
Weighted average number of ordinary shares in issue during the period	**2,557,311,429**	2,528,740,000
Earnings per share		
Basic and diluted *(RMB)*	**0.20**	0.13

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2013 and June 30, 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2013 and June 30, 2012.

10. INVENTORIES

	Unaudited June 30, 2013 *RMB'000*	Audited December 31, 2012 *RMB'000*
Motor vehicles	**2,868,408**	1,944,504
Spare parts and accessories	**271,568**	230,146
	3,139,976	2,174,650

11. TRADE AND BILLS RECEIVABLES

	Unaudited June 30, 2013 *RMB'000*	Audited December 31, 2012 *RMB'000*
Trade receivables	**558,899**	504,286
Bills receivables	**225,120**	847,887
Trade and bills receivables	**784,019**	1,352,173

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	Unaudited June 30, 2013 *RMB'000*	Audited December 31, 2012 *RMB'000*
Within 3 months	**737,949**	1,321,068
More than 3 months but less than 1 year	**40,503**	27,429
Over 1 year	**5,567**	3,676
	784,019	1,352,173

Trade receivables are non-interest-bearing.

12. BANK LOANS AND OTHER BORROWINGS

	Unaudited As at June 30, 2013			Audited As at December 31, 2012		
	Effective interest rate ***(%)***	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank overdrafts	**6.4–6.72**	**on demand**	**60,576**	6.7–7.0	on demand	99,875
Bank loans	**6.4**	**on demand**	**228,612**	6.4	on demand	228,743
	5.4–7.5	**2013–2014**	**4,659,309**	5.4–8.5	2013	4,784,137
	1.85	**2014**	**190,700**	–	–	–
	Libor+2%	**2013**	**432,509**	Libor+2%	2013	439,985
	Libor+1.1%	**2013**	**679,657**	–	–	–
Current portion of long term bank loans	**6.9**	**2014**	**9,800**	7.0	2013	17,800
Other Borrowings	**6.6–9.2**	**2013-2014**	**382,481**	8.1–9.8	2013	187,270
			6,643,644			5,757,810
Non-Current						
Bank loans	**Libor+6.1%**	**2015**	**145,077**	Libor+6.1%	2015	649,789
	6.8–7.4	**2015**	**215,000**	6.9–7.4	2014–2015	130,000
			360,077			779,789
			7,003,721			6,537,599

13. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2013 ***RMB'000***	Audited December 31, 2012 *RMB'000*
Trade payables	**152,748**	107,834
Bills payables	**4,206,421**	4,306,764
Trade and bill payables	**4,359,169**	4,414,598

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

	Unaudited June 30, 2013 *RMB'000*	Audited December 31, 2012 *RMB'000*
Within 3 months	**3,958,933**	4,117,606
3 to 6 months	**391,160**	291,068
6 to 12 months	**4,319**	1,671
Over 12 months	**4,757**	4,253
	4,359,169	4,414,598

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

14. BONDS

As at June 30, 2013, outstanding bonds are summarised as follows:

	Face value *USD'000*	**Maturity**	**Fixed interest rate**	**Unaudited June 30, 2013** *RMB'000*	**Audited December 31, 2012** *RMB'000*
Bonds	58,160	2017	5.65%	369,506	365,566

15. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company or by the Group after June 30, 2013.

16. ADJUSTMENT MADE DURING THE MEASUREMENT PERIOD TO PROVISIONAL AMOUNTS

The Group disclosed in its 2012 financial statements that the initial accounting for the business combination has not been completed because the appraisal of intangible assets, land use rights and property, plant and equipment have not yet been finalised.

During the current period, the Company received the independent appraisal of which the acquisition-date fair value of intangible assets, land use rights and property, plant and equipment were RMB939,841,000, RMB106,145,000 and RMB746,680,000, respectively.

The Group retrospectively adjusted the 2012 prior year information as follows:

(a) The carrying amount of intangible assets as of December 31, 2012 is decreased by RMB2,015,000. That adjustment is measured as the fair value adjustment at the acquisition date of RMB1,200,000 plus the additional amortization of RMB815,000 that would have been recognised if the asset's fair value at the acquisition date had been recognised from that date.

(b) The carrying amount of land use rights as of December 31, 2012 is decreased by RMB6,244,000. That adjustment is measured as the fair value adjustment at the acquisition date of RMB6,262,000 less the amortization of RMB18,000 that would have been reversed if the asset's fair value at the acquisition date had been recognised from that date.

(c) The carrying amount of deferred tax liabilities as of December 31, 2012 is decreased by RMB2,065,000, which is resulted from the changes in the carrying amounts of intangible assets and land use rights as of December 31, 2012.

(d) Other income and gains (gain on bargain purchase) for the year ended December 31, 2012 is decreased by RMB5,596,000.

(e) Amortization expense for the year ended December 31, 2012 is increased by RMB797,000.

(f) Tax expense for the year ended December 31, 2012 is decreased by RMB199,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2013, the Chinese automobile market maintained a stable growth. Production volume of automobiles reached 10.75 million whilst sales volume reached 10.78 million, representing a growth of 12.83% and 12.34%, respectively, as compared to the same period in 2012. Passenger vehicle market continues to grow, seeing sales of approximately 8.67 million vehicles, representing a growth of 13.81% as compared to the same period in 2012. Sport utility vehicles and multi-purpose vehicles continue to experience higher than average growth rate, with sales volume growing at 41.56% and 130%, respectively, as compared to the same period in 2012.

The luxury automobile market in China faced various macroeconomic challenges in the first half of 2013. However, driven by the introduction of new vehicle models, the increasing volume of domestic manufactured vehicle models, as well as the demand for auto upgrade; the luxury automobile market recorded double digit growth. Three German luxury automobile brands, namely Audi, BMW and Mercedes Benz, continue to dominate the luxury automobile market in China. Audi recorded cumulative sales of 228,139 vehicles, making it the best selling luxury car brand in China. This represents a growth of 17.7% as compared to the sales figure of 193,871 in the same period in 2012. BMW recorded sales of around 170,700 vehicles, representing a growth of 15.7%, as compared to the sales figure of 147,600 in the same period in 2012. In the face of increasingly fierce competition and availability of substitutes, Jaguar Land Rover managed to maintain steady sales, selling over 42,000 vehicles, representing a growth of 16% as compared to the same period in 2012.

Despite challenges such as the slowing down in macroeconomic growth, the increase of traffic control in tier 1 and tier 2 cities, and other industry challenges; the Group's management believes that the rising per capita living standards, the introduction of new car models, and the demand for auto upgrade will continue to generate a strong demand for luxury cars in China. Meanwhile, as a result of the maturing automobile market and the continued growth in car ownership, the after-sales services market and other automobile related businesses are also expected to continue expanding quickly.

BUSINESS OVERVIEW

Expansive brand coverage and geographical network

We are a leading luxury and ultra-luxury automobile dealership group in China with broad coverage of brands and a well-established dealership network across the country. We have developed a leading position in major luxury and ultra-luxury brands, especially with BMW and Jaguar Land Rover, in terms of sales volume, number of dealership stores, and network coverage. As at June 30, 2013, we had a well-established network of 75 stores, consisting of 60 luxury and ultra-luxury brand dealership stores, 11 mid-to-upper market brand dealership stores, 2 automobile customization centers, 1 certified collision damage assessment center and 1 after-sales service center. The Group also has 8 luxury and ultra-luxury brand 4S dealership stores and 3 after-sales service centers under construction during the first half of 2013, which are expected to be completed by the end of 2013.

The substantial majority of our dealership stores are strategically located in populous and affluent coastal regions in China with rapidly growing local economies, such as Beijing, Shanghai, Tianjin, Jiangsu Province, Zhejiang Province, Shandong Province, Liaoning Province and Guangdong Province. We also have geographical presence in Hebei Province, Shaanxi Province and the Xinjiang Uyghur Autonomous Region.

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

As at June 30, 2013, the Group's dealership network by brand is as follows:

Number of Stores

Luxury and ultra-luxury brands	60
Audi	1
BMW	38
Cadillac	1
Jaguar Land Rover	16
GMC	1
Porsche	1
Ferrari/Maserati	1
Volvo	1
Mid-to-upper market brands	11
Automobile customization center	2
Certified collision damage assessment center	1
After-sales service center	1
Total	75

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

As a result of our focus on luxury and ultra-luxury brands, the strategic location and expansion of our stores, our strong relationship with automobile manufacturers, as well as the NCGA Acquisition (as defined below), we have recorded significant growth in automobile sales and after-sales service business for the six months ended June 30, 2013. Our revenue from sales of automobiles for the six months ended June 30, 2013 was RMB13,597.7 million, representing a growth of approximately 61.9% as compared to the same period in 2012. The sales of luxury and ultra-luxury automobile accounted for RMB12,703.6 million, contributing to 93.4% of our total revenue from sales of automobile for the six months ended June 30, 2013, and representing an increase of 69.0% as compared to the same period in 2012.

In terms of sales volume, we sold 33,648 units of automobile in the six months ended June 30, 2013, an increase of 12,853 units, or 61.8%, from 20,795 units of automobiles for the same period in 2012. For the six months ended June 30, 2013, we sold 26,893 units of luxury and ultra-luxury automobile, representing an increase of 12,422 units, or 86.1%, from 14,451 units for the same period in 2012.

	Six months ended June 30,			
	2013		2012	
Automobile sales volume	**Volume** *(units)*	**Contribution** *(%)*	Volume *(units)*	Contribution *(%)*
Luxury and ultra-luxury brands	**26,893**	**79.9**	14,451	69.5
Mid-to-upper market brands	**6,755**	**20.1**	6,344	30.5
Total	**33,648**	**100.0**	20,795	100.0

Enhanced after-sales service

The Group has always placed great emphasis on its after-sales service business as an important and stable income source of its future development. With the rapid expansion of the distribution network and the Group's increased management efforts in relation to after-sales service, after-sales service has become an important source of profit for the Group.

During the six months ended June 30, 2013, the Group optimized and realized the revenue from same-store after-sales services by implementing advanced and efficient management systems, improving services quality, broadening the scope of services and improving the skills and efficiency of our after-sales personnel. Consequently, the Group has effectively lowered customer outflow. Further, our after-sales customer base also augmented throughout the six months as our stores mature, sales of new automobiles accumulate, and also through the NCGA Acquisition (as defined below). As a result, we recorded a growth in revenue from our after-sales services. For the six months ended June 30, 2013, the revenue from after-sales services reached RMB1,404.2 million, representing an increase of 128.3% as compared to that of the same period in 2012. The revenue from after-sales service for luxury and ultra-luxury brands was RMB1,292.1 million, representing an increase of 154.6% from RMB507.5 million from the same period in 2012, and contributed to 92.0% of the total after-sales revenue.

NCGA Acquisition

Since the Group's acquisition of the entire share capital of NCGA Holdings Limited ("**NCGA**") pursuant to a sale and purchase agreement dated August 29, 2012 (the "**NCGA Acquisition**") and the completion of the NCGA Acquisition in December 2012, the Group has commenced restructuring of NCGA and its subsidiaries (the "**NCGA Group**") to enhance its cost control, improve its operation efficiency, risk management procedures, and thus optimizing its revenue and profitability. The Group managed to integrate NCGA Group's automobile sales, after-sales services, extended services, marketing and customer services into the Group. We have also implemented management and financial control procedures in the NCGA Group according to the Group's internal control standards, which are subject to the scrutiny of the Group's internal audit department.

After half a year of restructuring, the Group managed to significantly cut down the costs of sales and management incurred by the NCGA Group, cancel a number of outsourced business, rid of idle leased assets, as well as reduce marketing and administrative costs. As a result of the Group's efforts in the management of funds and financing channels of the NCGA Group, the capital structure of NCGA Group has been ameliorated, capital efficiency has been increased, and financing costs has been reduced. In addition, for the six months ended June 30, 2013, the NCGA Group not only maintained steady growth in areas of automobile sales, after-sales services and extended services, but also realized profit margin improvement.

FINANCIAL REVIEW

Revenue

For the six months ended June 30, 2013, our revenue was RMB15,001.9 million, representing a growth of approximately 66.5% compared to the same period in 2012. The increase was primarily due to an increase of RMB5,201.3 million, or 61.9%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2012.

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

	Unaudited For six months ended June 30, 2013		Unaudited For six months ended June 30, 2012	
Revenue Source	**Revenue** ***(RMB'000)***	**Contribution** ***(%)***	Revenue *(RMB'000)*	Contribution *(%)*
Automobile sales	**13,597,645**	**90.6**	8,396,369	93.2
After-sales business	**1,404,232**	**9.4**	615,127	6.8
Total	**15,001,877**	**100.0**	9,011,496	100.0

Revenue from the sales of automobiles increased by RMB5,201.3 million due to (1) the realization of revenue from sales of automobiles from the 20 dealership stores acquired through the NCGA Acquisition and (2) continued sales growth at our more mature stores.

Automobile sales generated a substantial portion of our revenue, accounting for 90.6% of our revenue for the six months ended June 30, 2013. Revenue generated from the sale of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 93.4% (six months ended June 30, 2012: 89.5%) and 6.6% (six months ended June 30, 2012: 10.5%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 128.3% from RMB615.1 million for the six months ended June 30, 2012 to RMB1,404.2 million for the same period in 2013. The Group continues to focus on, and is strengthening the management of, its after-sales service business. In the first half of 2013, through the increased management and supervision of customers under our service, we have effectively reduced customer outflow. In addition, the Group is also actively recruiting and attracting new customers by employing strategies such as establishing a membership program. This has attributed to the significant revenue growth from after-sales service. The relative contribution of our after-sales business to our revenue increased from 6.8% for the six months ended June 30, 2012 to 9.4% for the same period in 2013.

Cost of sales and services

For the six months ended June 30, 2013, our cost of sales and services increased by 63.8%, from RMB8,260.1 million for the same period in 2012 to RMB13,531.2 million. This increase is consistent with the growth in our sales throughout the six months ended June 30, 2013.

The cost of sales and services attributable to our automobile sales business amounted to RMB12,799.3 million for the six months ended June 30, 2013, representing an increase of RMB4,857.8 million, or 61.2%, from the same period in 2012. The cost of sales attributable to our after-sales business amounted to RMB731.9 million for the six months ended June 30, 2013, representing an increase of RMB413.3 million, or 129.7%, from the same period in 2012.

Selling and distribution costs and administrative expenses

For the six months ended June 30, 2013, our selling and distribution costs increased by 158.0%, from RMB169.4 million for the same period in 2012 to RMB437.0 million; and our administrative expenses increased by 184.0%, from RMB102.3 million for the same period in 2012 to RMB290.5 million. These increases are mainly due to (i) the relatively higher selling and distribution costs and administrative expenses of the NCGA Group compared with the rest of the Group, (ii) the increase in staff headcount due to the opening of new stores in the second half of 2012, and (iii) the increase in the Group’s fixed and intangible assets which led to higher depreciation and amortization costs.

Gross profit and gross profit margin

Gross profit for the six months ended June 30, 2013 was RMB1,470.7 million, representing an increase of RMB719.3 million, or 95.7%, from the same period in 2012. Gross profit from automobile sales increased by 75.5% from RMB454.9 million for the six months ended June 30, 2012 to RMB798.3 million for the same period in 2013, of which RMB783.0 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 126.7% from RMB296.5 million for the six months ended June 30, 2012 to RMB672.4 million for the same period in 2013. Automobile sales and after-sales business contributed to 54.3% and 45.7%, respectively, to the total gross profit for the six months ended June 30, 2013.

Gross profit margin for the six months ended June 30, 2013 was 9.8% compared to 8.3% of the same period last year, of which the gross profit margin of automobile sales was 5.9% compared to 5.4% of the same period last year, and after-sales business was 47.9% compared to 48.2% of the same period last year. The increase in gross profit from automobile sales was mainly due to an increase in the proportion of sales of luxury and ultra-luxury automobiles, which have a higher gross profit margin. In particular, the gross profit margins realized from Jaguar Land Rover have steadily increased to a stable level as compared to the six months ended June 30, 2012.

Other income and net gains

Other income and gains, net, increased by 80.7% from RMB93.7 million from the six months ended June 30, 2012 to RMB169.3 million for the same period in 2013, due to an increase in the service fee income and commission income. Our commission income increased due to (i) an increase in income received from automobile insurance as a result of the strengthened co-operation with financial institutions and growth of passenger vehicles sales, and (ii) an increase in the number customers purchasing vehicles through financing services.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended June 30, 2013 increased by 59.1% from RMB573.3 million in the same period last year to RMB912.4 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended June 30, 2013 increased by 54.4% from RMB336.7 million in the same period last year to RMB519.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

As at June 30, 2013, our cash and cash equivalents amounted to RMB2,507.2 million, representing a decrease of 6.0% from RMB2,668.2 million as at December 31, 2012.

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, 2013, our net cash generated from operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB45.9 million (six months ended June 30, 2012: RMB1,237.0 million of net cash used in operating activities), RMB451.6 million (six months ended June 30, 2012: RMB421.7 million), and RMB244.3 million (six months ended June 30, 2012: RMB1,216.5 million), respectively.

Net Current Assets

As at June 30, 2013, we had net current assets of RMB613.7 million, representing a decrease of RMB414.1 million from RMB1,027.8 million as at December 31, 2012.

Capital Expenditure

Our capital expenditures primarily comprise of expenditures on property, plant and equipment, land use rights and intangible assets. During the six months ended June 30, 2013, our total capital expenditure was RMB524.1 million (six months ended June 30, 2012: RMB470.0 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 increased by 44.4% from RMB2,174.7 million as at December 31, 2012 to RMB3,140.0 million as at June 30, 2013, primarily due to (i) the increase in sales of luxury and ultra-luxury automobiles, and (ii) the increase in demand and sales volume in our dealership stores.

Our average inventory turnover days in the six months ended June 30, 2013 decreased to 35.9 days from 41.0 days as compared to the same period in 2012, primarily due to 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, 2013, the Group's available and unutilized banking facilities amounted to approximately RMB3,238.1 million (December 31, 2012: RMB4,732.0 million).

Our bank loans and other borrowings as at June 30, 2013 were RMB7,003.7 million, an increase of RMB466.1 million from RMB6,537.6 million as at December 31, 2012. The increase was due to (i) our capital expenditures on stores in built; and (ii) increased working capital requirements due to our new stores and increased sales at our other stores.

Contingent liabilities

As at June 30, 2013, the Company's contingent liabilities not provided for in the financial statements were RMB172.4 million (December 31, 2012: RMB 223.9 million) which were guarantees given to banks in connection with facilities granted to third parties.

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letter of credits as securities for bank and other loan and banking facilities which were used to finance daily business operation and acquisition. As at June 30, 2013, the pledged group assets amounted to approximately RMB4,465.5 million (December 31, 2012: RMB4,304.5 million); the pledged letter of credits with aggregate credit amount of approximately RMB1,410.0 million (December 31, 2012: RMB1,410.0 million) and pledged entire shares in NCGA Holdings Limited, Suzhou Baoxin Automobile Sales & Services Co., Ltd. and Shanghai Baoxin Automobile Sales & Services Co., Ltd..

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, 2013 and at and before the date of this announcement.

FUTURE OUTLOOK AND STRATEGY

Our Group will continue to focus on luxury and ultra-luxury brands and further develop and consolidate our leading position in key luxury and ultra-luxury brands. We will continue to seek opportunities to expand through further organic expansion and selective acquisitions in developed coastal regions and inland areas with high growth, and to diversify our portfolio of luxury and ultra-luxury automobile brands. On the other hand, for the acquisitions that we have completed, such as the NCGA Acquisition, we shall continue on integrating the acquired companies into the Group's operation, and restructuring and refining its operations with a view to optimize revenue and profitability of these companies.

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

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

For the after-sales service market, we will continue to increase our after-sales service capacity and quality, expand our service scope, and improve operational efficiency to increase overall after-sales revenue as well as revenue per store and profitability. We will strictly monitor the number of customers we have under our service, improve the service quality of our after-sales customer service staff, and put in place policies that aim to retain customer loyalty and reduce customer outflow. We also aim to establish more authorized after-sales service centers, particularly in tier 1 and 2 cities in China, for newly established brands; as well as expand the capacity in existing service centers in order to meet the increasing service demand.

From internal operation perspective, we will continue to implement stringent inventory management and cost control policies, improve capital structure and efficiency, and strengthen the training program and management of our employees. We believe that our well-established relationship with the automobile manufacturers, superior industry experience and operational capabilities, and customer-oriented services expertise will continue to enable us to strengthen our market position as a leading luxury 4S dealership group in China.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended June 30, 2013, the Company complied with all code provisions, and where appropriate, adopted the recommended best practices set out in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), with the exception of 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 of Directors, whilst our president, Mr. Yang Hansong, is responsible for the business operations of the Company. The Board is of the view that there are clear delineation of the responsibilities between the chairman and the president and therefore it is not necessary to set out in writing.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions of the Directors. The Company has made specific enquiries with all Directors who have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended June 30, 2013.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2013 (six months ended June 30, 2012: 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 of Mr. Diao Jianshen (chairman), Mr. Wang Keyi and Mr. Chan Wan Tsun Adrian Alan, all of whom are the Company's independent non-executive Directors.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2013.

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, 2013 will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Baoxin Auto Group Limited
YANG Aihua
Chairman

Shanghai, the People's Republic of China, August 30, 2013

As of the date of this announcement, the executive Directors are Mr. YANG Aihua, Mr. YANG Hansong, Mr. YANG Zehua, Ms. HUA Xiuzhen and Mr. ZHAO Hongliang, the non-executive Director is Mr. ZHANG Yang, and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.