# BAOXIN AUTO GROUP LIMITED
# 寶信汽車集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*
（於開曼群島註冊成立的有限公司）

**(Stock Code 股份代號：1293)**


# Interim Report 中期報告 2012

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. YANG Aihua *(Chairman)*
Mr. YANG Hansong *(President)*
Mr. YANG Zehua *(Vice President)*
Ms. HUA Xiuzhen
Mr. ZHAO Hongliang *(Vice President)*

### Non-executive Director

Mr. ZHANG Yang

### Independent Non-executive Directors

Mr. DIAO Jianshen
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

## AUDIT COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

## REMUNERATION COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. YANG Hansong
Mr. WANG Keyi

## NOMINATION COMMITTEE

Mr. WANG Keyi *(Chairman)*
Mr. YANG Hansong
Mr. DIAO Jianshen

## JOINT COMPANY SECRETARIES

Mr. CHEN Changdong
Ms. PAU Lai Mei

## AUTHORIZED REPRESENTATIVES

Mr. YANG Hansong
Ms. PAU Lai Mei

## STOCK CODE

1293

## WEBSITE

www.klbaoxin.com

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

1715 Wuzhong Road,
Minhang District, Shanghai, PRC.

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1803–4,
18/F, Bank of America Tower,
12 Harbour Road, Hong Kong.

## REGISTERED OFFICE

P.O. Box 309, Ugland House,
Grand Cayman KY1-1104,
Cayman Islands.

## PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square,
Grand Cayman, KY1-1102, Cayman Islands.

## HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong.

## COMPLIANCE ADVISER

CMB International Capital Limited
Units 1803–4,
18/F, Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong.

## LEGAL ADVISERS TO HONG KONG LAW

Cleary Gottlieb Steen & Hamilton (Hong Kong)
39/F, Bank of China Tower,
One Garden Road,
Central, Hong Kong.

## AUDITORS

Ernst & Young
*Certified Public Accountants*
22nd Floor, CITIC Tower,
1 Tim Mei Avenue, Central, Hong Kong.

# Chairman’s Statement

Dear shareholders,

I am pleased to report that Baoxin Auto Group Limited (the “Company” or “our Company”) and its subsidiaries (the “Group”, “our Group”, “we” or “us”) have generated strong revenue growth and sustained profitability for the first six months of 2012 (the “Relevant Period”), on the back of resilient luxury car spending in China.

During the Relevant Period, leveraging on the enlarged dealership network and the established leading market position, we actively optimized the brand portfolio and further expanded the after-sales businesses and other services. These has led us to achieve superior business growth and profitability in the industry. What is more encouraging is that after-sales business recorded significant growth for the Relevant Period and has become the key driver of the Group’s profit growth.

Revenue for the Relevant Period totaled approximately RMB9,011.5 million, representing an increase of 72.2% over the same period of last year. Automobile sales increased 70.6% over the same period of last year and after-sales revenue increased 97.6%. After-sales business accounted for 39.5% of total gross profits during the Relevant Period. Operating profit grew by 71.3% year-on-year to RMB573.3 million. Profit attributable to shareholders amounted to approximately RMB333.2 million, representing an increase of 63.3% compared to RMB204.0 million during the same period of last year. Despite the prevailing global economic recession and overall passenger vehicle market slowdown, our Group perform well financially and continue to grow against the tough and competitive environment.

For the Relevant Period, against the backdrop of moderate increase in passenger vehicles and macro economy slowdown, overall market environment was notably challenging and volatile. According to National Bureau of Statistics (NBS), the growth in China’s Gross Domestic Product (“GDP”) softened to 7.8% in the Relevant Period, from 9.2% in 2011. The overall growth of passenger vehicles in China posted a modest increase of 7.08% during the Relevant Period, based on China Association of Automobile Manufacturers (CAAM). While luxury and ultra-luxury cars continued to outperform the overall automobile market, Audi, BMW as well as Jaguar & Land Rover reported 38%, 31% and 100% volume growth in China, respectively. On the other hand, due to the slower economy growth and the brand competition, the short term rising price competition affected the new car sales, to some extent.

Comparing to our peers, our strengths have ensured the promising results in such a less favorable market environment. We have one of the most stable and experienced management teams in the industry, which have been leading the Group to proactively deal with different market situations; adapt effective the sales strategies to control the automobile sales prices; and expand the higher-margin extension services to support the automobile sales profitability. Meanwhile, quite a number of our stores are growing mature, driving the fast growth of our overall after-sales business. Gross margin of after-sales also sustained last year’s level. Leveraging on ample banking facilities — credit lines at a record level of RMB10 billion, our seasoned management team was able to source better merchandise and adjust the sales pace to avoid unnecessary price competitions. The inventories correspondingly stayed at the healthy levels on the back of satisfying sales growth. During the Relevant Period, our luxury cars sales volume rose by 80.6% year-on-year. Inventory turnover days stood comfortably at 41.0 days as of June 30, 2012. As a result, we have gained market share and become a stronger competitor in the industry.

# Chairman's Statement

Our solid balance sheet also enables us to continue to invest in organic growth. Our total store counts reached 46 as of June 30, 2012, consisting of 33 luxury brand dealership, 2 automobile customization centers, 1 certified collision damage assessment center in Shanghai and 10 mid-to-upper market brand dealership stores. We also have certain stores under construction, which will lead to our expansion into Beijing, Guangdong, Xi'an, Yantai and etc. by the end of 2012.

Looking forward, I am cautiously optimistic about the luxury cars retail market for the remainder of the year. Sales volume and profits in the second half of 2012 are expected to improve compared to the first half of 2012. This is supported by a number of favorable factors including, firstly, the government's fiscal and monetary policy measures moving to ensure stable economic growth in the second half of 2012; secondly, the OEMs' ongoing preferential policies to maintain a healthy pricing environment; thirdly, strong rollout of new car models in the second half of 2012 to stimulate the buying interests; and lastly, the expected launch of auto-related preferential policies such as trade-in subsidies, energy saving subsidies to improve the consumption sentiment.

I remain confident on the secular high-growth prospect of China's luxury and ultra-luxury cars market in the mid-to long term, in light of the below-world average penetration of luxury cars in China and structural consumption upgrade trend. I believe the Company is well-equipped for any future challenge. We adhere to our strategy of focusing on organic expansion, complemented with selective and strategic acquisitions. Our luxury cars dealership businesses have been built on a decade of experience. Leveraging on our robust balance sheet, we will be able to reinforce our position as leading car dealers in the luxury and ultra-luxury car market.

Last but not least, I would like to express my sincere appreciation to the outstanding efforts of our employees which have contributed to our Group's prosperity. On behalf of the Board of Directors, I would also like to thank the management team for their dedication and hard work, which have and will continue to contribute to the Group's success in the years to come.

Yours sincerely,
**Yang Aihua**
*Chairman*

Hong Kong, August 30, 2012

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

In the Relevant Period, the Chinese economy maintained a steady growth despite domestic and international challenges. According to China National Bureau of Statistics, the GDP in China grew by 7.8% in the Relevant Period. During the same period, the passenger vehicle market in China recorded a moderate sales volume growth of 7.08% to 7.6135 million units, based on China Association of Automobile Manufactures. Against the less benign market environment, luxury and ultra-luxury cars continued to outperform. Audi, BMW and Jaguar & Land Rover posted strong volume growth in the Relevant Period during which Audi saw sales volume in China increased by 38% over the same period of last year, to 193,871 units; BMW Group recorded a sales volume of 158,956 units in China, representing a 31% increase over a year ago; Jaguar & Land Rover nearly doubled its sales volume to 36,451 units. Nevertheless, the overall economic slowdown and intensive competition among car manufacturers compounded the short-term imbalances of supply and demand, which inevitably weighed on the pricing environment of luxury car market. Considering that the OEMs and dealers have intensified efforts at coordination, we believe the balance between demand and supply should be gradually improved in the second half of 2012.

The Chinese government continues to implement a proactive fiscal policy and a prudent monetary policy to maintain growth. At the same time, some auto-related preferential policies are expected to be launched. Together with strong roll out of new car models, these should boost the auto consumption sentiment. Therefore, we remain cautiously optimistic on the luxury and ultra-luxury cars sales performances in China for the second half of 2012.

## BUSINESS OVERVIEW

### Sustained expansion and optimization of strategic dealership network

We continued to enlarge our dealership network through organic growth and selective acquisitions, further strengthening our leading position in the existing markets and expanding into other developed regions. By the end of the Relevant Period, our dealership network covers China's most affluent regions with highest luxury cars ownership, comprising 15 cities in 6 provinces and municipalities, i.e. Shanghai, Jiangsu, Zhejiang, Shandong, Tianjin and Liaoning. We have also established leading market positions in these markets. The strategic dealership network has generated significant economies of scale, benefiting our operations, human resources as well as financial resources and resulting in strong competitive advantages. For the Relevant Period, we added ten stores, four of which were Jaguar & Land Rover, one was GMC, four were BMW (including two mini). As of June 30, 2012, we had a total of 46 stores, consisting of 33 luxury brand dealership stores, 2 automobile customization centers, 1 certified collision damage assessment center in Shanghai and 10 mid-to-upper market brand dealership stores. In addition, we have had received certain OEMs' authorizations, conditional approvals and non-binding letters of intent to open luxury and ultra-luxury brand dealership stores, showrooms, used cars centers and repair centers. Accordingly, by the year end of 2012, we will further expand to Beijing, Guangdong, Yantai, Xi'an and etc, which are key markets for luxury and ultra-luxury cars in China.

# Management Discussion and Analysis

## Enhanced the leading market position and optimized luxury and ultra-luxury brand portfolio

We have always focused on luxury and ultra-luxury brands and strived to further optimize our brand portfolio. During the Relevant Period, we added GMC, SAVANA, an American luxury conversion van brand. Our current luxury and ultra-luxury dealership brand portfolio includes BMW, MINI, Jaguar, Land Rover, Audi, GMC and Cadillac. In the Relevant Period, we sold a total of 20,795 units of cars, representing an increase of 60.3% compared to the same period of last year. Our sales volume of luxury and ultra-luxury brand cars grew by 80.6% during the same period of last year to 14,451 units, which accounted for an increase from 61.7% to 69.5% of our total sales volume during the same period last year and an increase from 85.6% to 89.5% of our total sales value during the same period of last year. The diversified brand portfolio will allow us to enrich our customer profiles, better cater for the strong consumption upgrade trend in the Chinese automobile market and improve our profitability. This will also strengthen our leading dealership position in China's luxury and ultra-luxury automobile industry.

## Continuing to develop the after-sales business

Benefiting from the expanding dealership network and increasingly matured new stores, the customer base of our after-sales business continued to increase. Meanwhile, we focused on improving the efficiency of our repair and maintenance services, expanding the range of after-sales services we provide, offering customization services and selling automobile care products and etc. As a result, after-sales business reported a significant increase in our sales revenue. After-sales revenue grew by 97.6% to RMB615.1 million, accounting for 6.8% of our total revenue compared to 5.9% of the same period of last year. After-sales gross profit rose by 98.5% to RMB296.5 million, accounting for 39.5% of the total gross profit compared to 28.8% of the same period of last year. The after-sales business has become one of the most important drivers of our operation and our profit growth. Owing to the rapid growth of luxury and ultra-luxury brand automobile sales in China, luxury cars penetration and ownership will grow steadily fast, which suggest a promising prospect for the after-sales business. Leveraging on our growing customer base, a sufficient pool of talents support in providing the after-sales services as well as professional management system for the after-sales services, the after-sales business is expected to serve as an important and stable income source of our future development.

## FINANCIAL REVIEW

### Revenue

For the six months ended June 30, 2012, our revenue was approximately RMB9,011.5 million, representing a growth of approximately 72.2% compared to the same period of 2011. The increase was primarily due to an increase of approximately RMB3,474.4 million, or 70.6%, in the automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period of 2011.

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

| Revenue Source | Unaudited For six months ended June 30, 2012 Revenue (RMB'000) | Unaudited For six months ended June 30, 2012 Contribution (%) | Audited For six months ended June 30, 2011 Revenue (RMB'000) | Audited For six months ended June 30, 2011 Contribution (%) |
|---|---|---|---|---|
| Automobile sales | **8,396,369** | **93.2** | 4,922,060 | 94.1 |
| After-sales business | **615,127** | **6.8** | 311,268 | 5.9 |
| Total | **9,011,496** | **100.0** | 5,233,328 | 100.0 |

Revenue from the sale of automobiles increased by 70.6% due to (1) the increase in the number of dealerships from 36 at the end of 2011 to 46 as at June 30, 2012 and the increase in automobile sales which followed, and (2) continued sales growth from our more mature dealerships.

Automobile sales generated a substantial portion of our revenue, accounting for 93.2% of our revenue for the six months ended June 30, 2012. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 89.5% (six months ended June 30, 2011: 85.6%) and 10.5% (six months ended June 30, 2011: 14.4%), respectively, of our revenue from the sales of automobiles.

Revenue from our after-sales business increased by 97.6% from approximately RMB311.3 million for the six months ended June 30, 2011 to approximately RMB615.1 million for the same period in 2012. Revenue from our after-sales business was driven primarily by the demand for maintenance and repair services and the related sales of spare parts. The demand for the after-sales services and sales of spare parts were primarily influenced by the cumulative number of automobiles sold by us in the past and the relative maturity of the dealerships in our network.

# Management Discussion and Analysis

### Cost of sales and services

For the six months ended June 30, 2012, our cost of sales and services increased by 75.2%, from approximately RMB4,714.3 million for the same period ended 2011 to approximately RMB8,260.1 million. This increase is consistent with the growth in our sales throughout the six months ended June 30, 2012.

The cost of sales and services attributable to our automobile sales business amounted to RMB7,941.5 million for the six months ended June 30, 2012, accounting for an increase of RMB3,389.1 million, or 74.4%, from the same period in 2011. The cost of sales attributable to our after-sales business amounted to approximately RMB318.6 million for the six months ended June 30, 2012, accounting for an increase of RMB156.7 million, or 96.8% from the same period in 2011.

### Gross profit and gross profit margin

Gross profit for the six months ended June 30, 2012 was approximately RMB751.4 million, accounting for an increase of approximately RMB232.4 million or 44.8% from the same period in 2011. Gross profit from automobile sales increased by 23.0% from RMB369.7 million for the six months ended June 30, 2011 to RMB454.9 million for the same period in 2012, of which RMB84.5 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 98.5% from RMB149.4 million for the six months ended June 30, 2011 to RMB296.5 million for the same period in 2012. Automobile sales and after-sales business contributed 60.5% and 39.5% respectively to the total gross profit for the six months ended June 30, 2012.

Gross profit margin for the six months ended June 30, 2012 was 8.3% compared to 9.9% of the same period last year, of which the gross profit margin of automobile sales was 5.4% compared to 7.5% of the same period of last year and of after-sales business was 48.2% compared to 48.0% of the same period of last year. The decrease in gross profit margin in the six months ended June 30, 2012 was primarily due to the decrease in that of the sales of luxury and ultra-luxury automobiles (decreased from 8.2% for the six months ended June 30, 2011 to 5.7% for the same period in 2012), resulting from the imbalances of supply and demand, as well as the price competition in the luxury and ultra-luxury car market.

### Other income and net gains

Other income and net gains, increased by 144.0% from RMB38.4 million for the six months ended June 30, 2011 to approximately RMB93.7 million for the same period in 2012, primarily due to an increase in our commission income. The increase in our commission income was due to the increase in the amounts of automobile insurance policies sold through our dealerships and other additional services, such as automobile financing agency services, registering licences on our clients' behalf and etc.

### Profit from operations

As a result of the foregoing, our operating profit for the six months ended June 30, 2012 increased by 71.3% from RMB334.7 million of the same period of last year to RMB573.3 million.

### Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended June 30, 2012 increased by 57.4% from RMB213.9 million of the same period of last year to approximately RMB336.7 million.

# Management Discussion and Analysis

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow

Our primary uses of cash were to pay for the purchases of new automobiles, spare parts and automobile accessories, to establish new dealerships and to fund our working capital and normal operating expenses. We financed our liquidity needs through a combination of short-term bank loans and other borrowings and cash flows generated from our operating activities.

For the six months ended June 30, 2012, our net cash used in operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB1,237.0 million compared to RMB259.9 million of the same period last year, RMB421.7 million compared to RMB203.0 million of the same period last year, and RMB1,216.5 million compared to RMB492.5 million of the same period last year, respectively.

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, available bank loans and other borrowings and the net proceeds from the initial public offering, the Board believes that our liquidity needs will be satisfied.

### Net Current Assets

As at June 30, 2012, we had net current assets of RMB2,006.6 million, representing a decrease of approximately RMB72.4 million from approximately RMB2,079.0 million as at December 31, 2011.

### Capital Expenditure

Our capital expenditures primarily comprised expenditures on property, plant and equipment, land use rights and intangible assets. During the six months ended June 30, 2012, our total capital expenditure was RMB470.0 million.

### Inventory

Our inventories primarily consisted of new automobiles, spare parts and automobile accessories. Each of our dealerships individually manages its 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 88.0% from approximately RMB1,284.2 million as of December 31, 2011 to approximately RMB2,414.0 million as of June 30, 2012, primarily due to an increase in our inventory of new automobiles by 94.3% from approximately RMB1,191.1 million as of December 31, 2011 to approximately RMB2,314.0 million as of June 30, 2012. The increase in our inventories as at June 30, 2012 was due to (1) the increase in demand for and sales volume in our dealership stores, (2) the increase in sales of luxury and ultra-luxury automobiles, and (3) the addition of 10 dealership stores which commenced operation during the six months ended June 30, 2012.

Our average inventory turnover days in the six months ended June 30, 2012 were 41.0 days, which is improved as compared with that of 43.7 days for the same period of 2011. Such improvement was primarily due to the effective control of the stock level of dealerships stores in the first half year of 2012, especially the newly opened stores.

# Management Discussion and Analysis

### Bank loans and other borrowings

As at June 30, 2012, the Group's available and unutilized banking facilities amounted to approximately RMB5,707.9 million (December 31, 2011: RMB2,555.0 million).

Our bank loans and other borrowings as at June 30, 2012 were RMB3,806.4 million, accounting for an increase of RMB1,435.6 million from RMB2,370.8 million as at December 31, 2011. The increase was due to our capital expenditures on new dealerships and an increase in working capital needs due to the opening of our new dealerships and increased sales at our other dealerships.

### Foreign exchange risk

Substantially, all of our revenue, cost of revenue and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We do not believe our operations are currently subject to any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk during the six months ended June 30, 2012. Any significant exchange rate fluctuations of foreign currencies against Renminbi may have a financial impact on the Group.

### Gearing ratio

Our gearing ratio for the six months ended June 30, 2012 was 48.0% (December 31, 2011: 35.1%).

### Human resources

As at June 30, 2012, the Group had approximately 3,093 employees (December 31, 2011: 2,685). Total staff costs for the six months ended June 30, 2012, excluding directors' remuneration were approximately RMB64.6 million (six months ended June 30, 2011: RMB48.6 million).

The Group values recruiting and training 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, 2012, neither the Group nor the Company had any significant contingent liabilities.

### The pledge assets of the Group

Our Group had pledged our assets as securities for bank loans and other loans and banking facilities to finance daily business operation. As at June 30, 2012, the pledged group assets amounted to approximately RMB1,477.9 million compared to RMB1,538.2 million as at December 31, 2011.

### Use of net proceeds from the Initial Public Offering

As at June 30, 2012, the Company used RMB420 million for expansion of our distribution network of dealerships by way of new establishing and upgrading, maintenance and refurbishment of dealerships. The remaining RMB1,747.7 million was saved at our bank as deposits.

# Management Discussion and Analysis

## FUTURE OUTLOOK AND STRATEGY

The Chinese luxury car market continues to benefit from the strong trading up trend. Currently, the automobile ownership rate in China, especially the ownership of luxury and ultra-luxury automobiles, is still far below the world average levels. Considering that the average vehicle replacement cycle in China generally is around 4–5 years, the rapid growth of the Chinese passenger vehicle market in the past few years has laid a solid foundation for a rapid increase in the demand for luxury cars in the coming years. Together with the consumers' rising spending power and the expansion of product offerings by luxury automobile manufactures, we believe that the luxury and ultra-luxury automobile segment should continue to outperform the overall Chinese passenger vehicle market. At the same time, due to the rising automobile ownership and consumers' trend of trading-up demands for after-sales services are also resilient and growing steadily fast. We see promising prospects for luxury and ultra-luxury automobile sales and after-sales services, which are beneficial to us given our focus on the luxury and ultra-luxury 4S dealership business.

Leveraging on our leading market positions in the existing brands, we will further optimize the brand portfolio by adding more luxury and ultra-luxury automobile brands with high growth potentials and high profits to cater for the growing demands resulting from the trading-up trend of the consumers. We will continue to expand our dealership network and brand offerings through organic growth and selective acquisitions to strengthen our leading positions in the existing markets and will continue to seek for opportunities to enter into new markets in rapidly growing economies with strong spending power for luxury and ultra-luxury cars. We will enhance our market position as a leading luxury and ultra-luxury 4S dealership group in China by achieving high quality growth and optimizing brand portfolio.

We will also continue to focus on meticulous management, improving existing stores' sales and profitability. Our integrated group resources allow us to enjoy significant economies of scale; for newly acquired stores in the future, we will apply the Baoxin operating model, to maximize the operational and cost synergies and to achieve optimal returns.

The after-sales business has become our key focus of our business development and in profit growth in the coming years. Due to our increasingly mature dealership profile and the growing of our customer base from the new dealerships, the after-sales business which has a high profit margin is expected to sustain a rapid growth. We will open additional repair centers to capture the rising market demands and reallocate the workload among different dealerships within the same region to improve the capacity utilization rate. We will offer more automobile accessories and automobiles care products, as well as expand the scope of after-sales services to enhance our profitability. We will also continue to focus on extended services including used car sales, automobile insurance and financing and etc.

Looking ahead, we believe our years of experience in the luxury car dealership industry, a stable management team as well as a robust balance sheet will allow us to strengthen our position as a leading car dealer in the luxury and ultra-luxury car market.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2012, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

| Name of Director | Nature of interest | Number of Shares or underlying Shares[1] | Approximate percentage of shareholding interest |
|---|---|---|---|
| Mr. Yang Aihua[2] | Beneficial owner | 1,819,200,000(L) | 71.95% |
| Mr. Yang Hansong[3] | Beneficial owner | 1,552,780,000(L) | 61.41% |
| Mr. Yang Zehua[4] | Beneficial owner | 1,819,200,000(L) | 71.95% |

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Mr. Yang Aihua is one of the beneficiaries of the Family Trust and the Yang Trust and is deemed to be interested in the shares held by Baoxin Investment Management Ltd. ("Baoxin Investment") and Auspicious Splendid Global Investments Limited ("Auspicious Splendid").

(3) Mr. Yang Hansong is one of the beneficiaries of the Family Trust and is deemed to be interested in the shares held by Baoxin Investment.

(4) Mr. Yang Zehua is one of the beneficiaries of the Family Trust and the Yang Trust and is deemed to be interested in the shares held by Baoxin Investment and Auspicious Splendid.

Save as disclosed above, as at June 30, 2012, none of the Directors and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

## DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at June 30, 2012, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

| Name | Capacity/ Nature of interest | Number of Shares[(1)] | Approximate percentage of shareholding interest |
|---|---|---|---|
| Baoxin Investment Management Ltd[(2)] | Beneficial interest | 1,552,780,000(L) | 61.41% |
| Sunny Sky Limited[(2)] | Interest in controlled corporation | 1,552,780,000(L) | 61.41% |
| Credit Suisse Trust Limited[(2)] | Trustee | 1,552,780,000(L) | 61.41% |
| Brock Nominees Limited | Interest in controlled corporation | 1,552,780,000(L) | 61.41% |
| Tenby Nominees Limited | Interest in controlled corporation | 1,552,780,000(L) | 61.41% |
| Auspicious Splendid Global Investments Limited | Beneficial interest | 266,420,000(L) | 10.54% |
| Ms. Yang Chu Yu[(3)] | Trustee | 266,420,000(L) | 10.54% |
| TH Capital[(4)] | Interest in controlled corporation | 178,420,000(L) | 7.05% |

Notes:

(1) The letter "L" denotes the person's long position in such shares.

(2) Sunny Sky Limited is deemed to be interested in the shares as the legal owner of the entire issued share capital of Baoxin Investment. Sunny Sky Limited is controlled by Credit Suisse Trust Limited which is the trustee of the Family Trust.

(3) Ms. Yang Chu Yu is deemed to be interested in the shares as the legal owner of the entire issued share capital of Auspicious Splendid as the trustee pursuant to the trust deed in respect of the Yang Trust dated July 12, 2011.

(4) TH Capital is the general partner of Tsinghua Industry Investment Fund I, L.P., Tsinghua Industry Investment Fund II, L.P. and Innovation Capital, L.P. and is deemed to be interested in the shares held by them.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at June 30, 2012.

# Corporate Governance and Other Information

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions on the Code on Corporate Governance Practices (effective until March 31, 2012) and the Corporate Governance Code (effective from April 1, 2012) (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended June 30, 2012 except for the following deviation. The CG Code is the new edition of the Code of Corporate Governance Practices and is applicable to financial reports covering a period from April 1, 2012.

Under the code provision A.6.7 of the CG Code, non-executive Directors and independent non-executive Directors should attend the general meetings of the Company. However, the non-executive Director, Mr. Zhang Yang and two independent non-executive Directors, Mr. Diao Jianshen and Mr. Wang Keyi were unable to attend the annual general meeting of the Company held on June 12, 2012 due to their business engagements.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the standards for the Directors in the dealing of the securities of the Company. The Company has made specific enquiries with all the Directors, confirming that they have complied with the required standards as set out in the Model Code throughout the six months ended June 30, 2012 and up to the date of this report.

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises 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. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

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, 2012.

## PURCHASE, SALES 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, 2012.

## SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

On August 29, 2012, the Company entered into a sale and purchase agreement with some independent parties, pursuant to which the Company conditionally agreed to acquire, and the independent parties conditionally agreed to sell, the entire issued share capital of NCGA Holdings Limited (the "Sale and Purchase Agreement"). Upon completion of the acquisition, NCGA Holdings Limited will become a wholly-owned subsidiary of the Company.

# Corporate Governance and Other Information

## DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2012 (six months ended June 30, 2011: Nil).

## SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. As at the date of this interim report, no option has been granted or agreed to be granted under the Share Option Scheme. A summary of the terms of the Share Option Scheme is set out in the Prospectus of the Company.

## DISCLOSURE OF INFORMATION OF DIRECTOR UNDER RULES 13.51(2) AND 13.51(B)(1) OF THE LISTING RULES

There is no change in the information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51(B)(1) of the Listing Rules since the publication of the 2011 annual report of the Company.

# Consolidated Interim Income Statement

For the six months ended June 30, 2012

| | Notes | **Unaudited For the six months ended June 30, 2012 RMB'000** | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|---|
| **REVENUE** | 4(a) | **9,011,496** | 5,233,328 |
| Cost of sales and services provided | 5(b) | **(8,260,118)** | (4,714,265) |
| **Gross profit** | | **751,378** | 519,063 |
| Other income and gains, net | 4(b) | **93,671** | 38,414 |
| Selling and distribution costs | | **(169,390)** | (131,761) |
| Administrative expenses | | **(102,322)** | (90,997) |
| **Profit from operations** | | **573,337** | 334,719 |
| Finance costs | 6 | **(135,571)** | (48,076) |
| Share of profits of a jointly-controlled entity | | **8,290** | 2,275 |
| **Profit before tax** | 5 | **446,056** | 288,918 |
| Tax | 7 | **(109,400)** | (75,014) |
| **Profit for the period** | | **336,656** | 213,904 |
| Attributable to: | | | |
| Owners of the parent | | **333,188** | 204,013 |
| Non-controlling interests | | **3,468** | 9,891 |
| | | **336,656** | 213,904 |
| **Earnings per share attributable to ordinary equity holders of the parent** | | | |
| Basic and diluted | | | |
| — For profit for the period (RMB) | 9 | **0.13** | 0.09 |

# Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2012

| | Unaudited For the six months ended June 30, 2012 RMB'000 | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|
| **Profit for the period** | **336,656** | 213,904 |
| **Other comprehensive income** | | |
| Exchange differences on translation of foreign operations | **12,074** | — |
| **Other comprehensive income for the period, net of tax** | **12,074** | — |
| **Total comprehensive income for the period, net of tax** | **348,730** | 213,904 |
| **Attributable to:** | | |
| Owners of the parent | **345,262** | 204,013 |
| Non-controlling interests | **3,468** | 9,891 |
| | **348,730** | 213,904 |

# Consolidated Interim Statement of Financial Position

June 30, 2012

| | Notes | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 1,198,889 | 798,995 |
| Land use rights | | 172,652 | 174,624 |
| Intangible assets | | 2,567 | 2,219 |
| Prepayments | | 23,622 | 16,042 |
| Interests in a jointly-controlled entity | | 21,536 | 13,246 |
| Deferred tax assets | | 10,882 | 8,065 |
| Total non-current assets | | 1,430,148 | 1,013,191 |
| **CURRENT ASSETS** | | | |
| Inventories | 10 | 2,413,977 | 1,284,159 |
| Trade receivables | 11 | 194,595 | 125,504 |
| Prepayments, deposits and other receivables | | 2,158,011 | 2,022,874 |
| Amounts due from a jointly-controlled entity | 17(b)(i) | 37,835 | 37,835 |
| Pledged bank deposits | | 384,860 | 399,416 |
| Cash in transit | | 39,692 | 13,383 |
| Cash and cash equivalents | | 2,453,943 | 2,884,038 |
| Total current assets | | 7,682,913 | 6,767,209 |
| **CURRENT LIABILITIES** | | | |
| Bank loans and other borrowings | 12 | 3,786,415 | 2,341,021 |
| Trade and bills payables | 13 | 923,302 | 1,174,914 |
| Other payables and accruals | | 276,605 | 346,494 |
| Amounts due to related parties | 17(b)(ii) | 550,142 | 626,680 |
| Income tax payable | | 139,823 | 199,131 |
| Total current liabilities | | 5,676,287 | 4,688,240 |
| Net current assets | | 2,006,626 | 2,078,969 |
| Total assets less current liabilities | | 3,436,774 | 3,092,160 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank loans and other borrowings | 12 | 20,000 | 29,800 |
| Deferred tax liabilities | | 11,419 | 8,535 |
| Total non-current liabilities | | 31,419 | 38,335 |
| Net assets | | 3,405,355 | 3,053,825 |

# Consolidated Interim Statement of Financial Position

June 30, 2012

| | Note | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 14 | **20,604** | 20,604 |
| Reserves | | **3,342,411** | 2,997,149 |
| | | **3,363,015** | 3,017,753 |
| Non-controlling interests | | **42,340** | 36,072 |
| Total equity | | **3,405,355** | 3,053,825 |

**Mr. Yang Hansong**
*Director*

**Mr. Zhao Hongliang**
*Director*

# Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2012

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Statutory reserve RMB'000 | Merger reserve RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **At January 1, 2011** | **—** | **—** | **80,827** | **750,900** | **—** | **633,846** | **1,465,573** | **72,665** | **1,538,238** |
| Acquisition of equity interests by the Group from the then equity holders | — | — | — | (291,251) | — | — | (291,251) | — | (291,251) |
| Contribution by the then equity holders | — | — | — | 40,000 | — | — | 40,000 | — | 40,000 |
| Non-controlling interests arising from establishing a new subsidiary | — | — | — | — | — | — | — | 1,000 | 1,000 |
| Deemed distribution to equity holders of the Company pursuant to the Reorganisation | — | — | — | (7,794) | — | — | (7,794) | — | (7,794) |
| Dividends paid to the then equity holders | — | — | — | — | — | (434,922) | (434,922) | — | (434,922) |
| Dividends paid to non-controlling shareholders | — | — | — | — | — | — | — | (18,384) | (18,384) |
| Acquisition of non-controlling interests by the Group | — | — | — | (511,815) | — | — | (511,815) | (38,185) | (550,000) |
| Comprehensive income for the period | — | — | — | — | — | 204,013 | 204,013 | 9,891 | 213,904 |
| **At June 30, 2011 (Audited)** | **—** | **—** | **80,827** | **(19,960)** | **—** | **402,937** | **463,804** | **26,987** | **490,791** |
| **At January 1, 2012** | **20,604** | **2,147,064** | **151,947** | **(20,560)** | **(10,737)** | **729,435** | **3,017,753** | **36,072** | **3,053,825** |
| Profit for the period | — | — | — | — | — | 333,188 | 333,188 | 3,468 | 336,656 |
| Other comprehensive income for the period: | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | 12,074 | — | 12,074 | — | 12,074 |
| Total comprehensive income for the period | — | — | — | — | 12,074 | 333,188 | 345,262 | 3,468 | 348,730 |
| Non-controlling interests arising from establishing new subsidiaries | — | — | — | — | — | — | — | 2,800 | 2,800 |
| **At June 30, 2012 (Unaudited)** | **20,604** | **2,147,064** | **151,947** | **(20,560)** | **1,337** | **1,062,623** | **3,363,015** | **42,340** | **3,405,355** |

# Condensed Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2012

| | Unaudited For the six months ended June 30, 2012 RMB'000 | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|
| **Net cash used in operating activities** | **(1,237,040)** | (259,875) |
| **Net cash used in investing activities** | **(421,665)** | (202,954) |
| **Net cash generated from financing activities** | **1,216,536** | 492,452 |
| **Net (decrease)/increase in cash and cash equivalents** | **(442,169)** | 29,623 |
| Cash and cash equivalents at the beginning of each period | **2,884,038** | 384,476 |
| Effect of foreign exchange rate changes, net | **12,074** | — |
| **Cash and cash equivalents at the end of each period** | **2,453,943** | 414,099 |

## 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 of the Company (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, 2012 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, 2011, 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, 2012. These condensed consolidated interim financial statements have not been audited.

### 2.2 Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2011.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

### 2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning January 1, 2012 and have not been early adopted:

- HKFRS 9 *Financial instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 1, 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial instruments: Recognition and measurement* and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

- HKFRS 10 *Consolidated financial statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after January 1, 2013.

- HKFRS 12 *Disclosures of interests in other entities* includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after January 1, 2013.

- HKFRS 13 *Fair value measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after January 1, 2013.

- HKAS 19 (Amendment) *Employee benefits* eliminate the corridor approach and calculate finance costs on a net funding basis. The group is yet to assess the amendments to HKAS 19's impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

## 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, 2012, 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, 2012 RMB'000** | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|---|
| **(a)** | **Revenue** | | |
| | Revenue from the sale of motor vehicles | **8,396,369** | 4,922,060 |
| | Others | **615,127** | 311,268 |
| | | **9,011,496** | 5,233,328 |
| **(b)** | **Other income and gains, net** | | |
| | Commission income | **68,796** | 24,494 |
| | Advertisement support received from motor vehicle manufacturers | **5,863** | 2,982 |
| | Rental income | **275** | — |
| | Government grants | **1,748** | 6,921 |
| | Interest income | **14,209** | 2,395 |
| | Net gain on disposal of items of property, plant and equipment | **1,114** | 294 |
| | Others | **1,666** | 1,328 |
| | | **93,671** | 38,414 |

## 5. PROFIT BEFORE TAX

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

| | | Unaudited For the six months ended June 30, 2012 RMB'000 | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|---|
| (a) | **Employee benefit expense (including Directors' remuneration)** | | |
| | Wages and salaries | 48,605 | 37,581 |
| | Other welfare | 18,948 | 11,578 |
| | | 67,553 | 49,159 |
| (b) | **Cost of sales and services** | | |
| | Cost of sales of motor vehicles | 7,941,520 | 4,552,403 |
| | Others | 318,598 | 161,862 |
| | | 8,260,118 | 4,714,265 |
| (c) | **Other items** | | |
| | Depreciation of items of property, plant and equipment | 35,775 | 29,962 |
| | Amortisation of land use rights | 638 | 4,726 |
| | Amortisation of intangible assets | 202 | 115 |
| | Advertisement and business promotion expenses | 51,224 | 32,188 |
| | Bank charges | 7,111 | 9,113 |
| | Lease expenses | 30,151 | 22,088 |
| | Logistics and petroleum expenses | 12,598 | 12,006 |
| | Office expenses | 4,854 | 4,597 |

## 6. FINANCE COSTS

| | Unaudited For the six months ended June 30, 2012 RMB'000 | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|
| Interest expense on bank borrowings wholly repayable within five years | 142,819 | 49,602 |
| Interest expense on other borrowings | 2,501 | 1,143 |
| Less: Interest capitalised | (9,749) | (2,669) |
| | 135,571 | 48,076 |

## 7. TAX

| | Unaudited For the six months ended June 30, 2012 RMB'000 | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|
| Current: | | |
| Mainland China corporate income tax | 108,854 | 78,250 |
| Hong Kong corporate income tax | 478 | — |
| Deferred tax | 68 | (3,236) |
| | 109,400 | 75,014 |

## 8. DIVIDENDS

The Board of the Company has resolved not to declare any interim dividend for the six months ended June 30, 2012 (six months ended June 30, 2011: 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, 2012 and 2011, respectively.

| | Unaudited For the six months ended June 30, 2012 | Audited For the six months ended June 30, 2011 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent (RMB'000) | 333,188 | 204,013 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period | 2,528,740,000 | 2,200,000,000 |

The weighted average number of ordinary shares used to calculate the basic earnings per share in the six months ended June 30, 2011 was 2,200,000,000, which were deemed to have been issued throughout the period.

| | | |
|---|---|---|
| **Earnings per share** | | |
| Basic and diluted (RMB) | 0.13 | 0.09 |

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2012 and June 30, 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2012 and June 30, 2011.

## 10. INVENTORIES

| | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Motor vehicles | 2,313,989 | 1,191,087 |
| Spare parts and accessories | 99,988 | 93,072 |
| | 2,413,977 | 1,284,159 |

## 11. TRADE RECEIVABLES

| | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Trade receivables | **194,595** | 125,504 |

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

| | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Within 3 months | **149,980** | 120,231 |
| More than 3 months but less than 1 year | **39,939** | 4,201 |
| Over 1 year | **4,676** | 1,072 |
| | **194,595** | 125,504 |

Trade receivables are non-interest-bearing.

## 12. BANK LOANS AND OTHER BORROWINGS

| | Unaudited As at June 30, 2012 | | | Audited As at December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **RMB'000** | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Current bank loans | **6.2–7.8** | **2012–2013** | **3,585,110** | 5.8–11.8 | 2012 | 2,221,421 |
| Current portion of long term bank loans | **6.7** | **2013** | **9,800** | 6.7 | 2012 | 5,000 |
| Other borrowings | **8.1–9.2** | **2012–2013** | **191,505** | 7.6–9.2 | 2012 | 114,600 |
| | | | **3,786,415** | | | 2,341,021 |
| **Non-Current** | | | | | | |
| Long term bank loans | **6.7** | **2014** | **20,000** | 6.7–7.0 | 2013–2014 | 29,800 |
| | | | **3,806,415** | | | 2,370,821 |

## 13. TRADE AND BILL PAYABLES

| | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Trade payables | **28,203** | 32,961 |
| Bills payable | **895,099** | 1,141,953 |
| Trade and bill payables | **923,302** | 1,174,914 |

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

| | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Within 3 months | **911,100** | 1,167,616 |
| 3 to 6 months | **10,837** | 4,534 |
| 6 to 12 months | **73** | — |
| Over 12 months | **1,292** | 2,764 |
| | **923,302** | 1,174,914 |

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

## 14. SHARE CAPITAL

| | June 30, 2012 and December 31, 2011 |
|---|---|
| **Shares** | |
| Authorised: | |
| Ordinary shares | 5,000,000,000 shares of HK$0.01 each |
| Issued and fully paid: | |
| Ordinary shares | 2,528,740,000 shares of HK$0.01 each |
| Equivalent to RMB'000 | 20,604 |

## 15. CONTINGENT LIABILITIES

As at June 30, 2012, neither the Group nor the Company had any significant contingent liabilities.

## 16. COMMITMENTS

### (a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

| | **Unaudited June 30, 2012 RMB'000** | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Contracted, but not provided for land use rights and buildings | **206,900** | 40,724 |
| Authorised, but not contracted for land use rights and buildings | **389,000** | 582,791 |
| Contracted, but not provided for a major acquisition | **1,935,693** | — |
| | **2,531,593** | 623,515 |

### (b) Operating lease commitments

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **Unaudited At June 30, 2012** | | | Audited At December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | **Properties RMB'000** | **Land RMB'000** | **Vehicles RMB'000** | Properties RMB'000 | Land RMB'000 | Vehicles RMB'000 |
| Within 1 year | **15,279** | **21,332** | **2,733** | 16,855 | 25,313 | 2,509 |
| After 1 year but within 5 years | **54,349** | **74,566** | **—** | 54,713 | 90,611 | — |
| After 5 years | **79,363** | **113,086** | **—** | 80,423 | 156,768 | — |
| | **148,991** | **208,984** | **2,733** | 151,991 | 272,692 | 2,509 |

The Group is the lessee in respect of a number of properties, land and vehicles held under operating leases. The leases typically run for an initial period of three to thirty years, with an option to renew the leases when all the terms are renegotiated.

## 17. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Transactions with related parties

(i) On June 28, 2011, Suzhou Baoxin Automobile Sales & Services Co., Ltd. ("Suzhou Baoxin") entered into an equity transfer agreement with Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund, pursuant to which Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund agreed to sell and Suzhou Baoxin agreed to purchase the 3% of the equity interest in Shanghai Baoxin Automobile Sales & Services Co., Ltd. for a consideration of RMB550,000,000 provided that any one of the following three conditions is fulfilled: (i) the Global Offering has been completed; (ii) the shareholders (apart from the Tsinghua Industry Investment Fund I, L.P., Tsinghua Industry Investment Fund II, L.P. and Innovation Capital, L.P.) of the Company have disposed of an aggregate of 40% or more of their shares in the Company; or (iii) Mr Yang Aihua has ceased to be a controlling shareholder.

Pursuant to above terms of the equity transfer agreement, the 3% non-controlling interests were derecognised as if they were acquired on June 28, 2011. The consideration of RMB550,000,000 was then recorded as amounts due to Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund by RMB330,000,000 and RMB220,000,000, respectively.

### (b) Balances with related parties

The Group had the following significant balances with its related parties as at June 30, 2012:

(i) Amounts due from a jointly-controlled entity:

| | **Unaudited June 30, 2012 RMB'000** | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Non-trade related: | | |
| A jointly-controlled entity | | |
| — Shenyang Xinbaohang Automobile Sales & Services Co., Ltd. | **37,835** | 37,835 |

## 17. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

### (b) Balances with related parties *(Continued)*

(ii) Amounts due to related parties:

| | Unaudited June 30, 2012 RMB'000 | Audited December 31, 2011 RMB'000 |
|---|---|---|
| Non-trade related: | | |
| The controlling shareholder | | |
| — Mr. Yang Aihua | **142** | 26,857 |
| The then equity holders | | |
| — Huakong (Tianjin) Innovation Fund | **330,000** | 359,892 |
| — Huakong (Tianjin) Industry Investment Fund | **220,000** | 239,928 |
| — Shanghai Bentai Investment Management Co., Ltd. | **—** | 3 |
| | **550,142** | 626,680 |

Except for the amounts due to Huakong (Tianjin) Innovation Fund and Huakong (Tianjin) Industry Investment Fund of RMB330,000,000 and RMB220,000,000, respectively, other balances with related parties were unsecured and non-interest-bearing and had no fixed repayment terms.

### (c) Compensation of key management personnel of the Group:

| | Unaudited For the six months ended June 30, 2012 RMB'000 | Audited For the six months ended June 30, 2011 RMB'000 |
|---|---|---|
| Short term employee benefits | **4,050** | 930 |
| Post-employee benefits | **193** | 64 |
| Total compensation paid to key management personnel | **4,243** | 994 |

## 18. EVENT AFTER THE REPORTING PERIOD

On August 29, 2012, the Company entered into the Sale and Purchase Agreement with the independent parties, pursuant to which the Company conditionally agreed to acquire, and the independent parties conditionally agreed to sell, the entire issued share capital of NCGA Holdings Limited. Upon completion of the acquisition, NCGA Holdings Limited will become a wholly-owned subsidiary of the Company.

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司