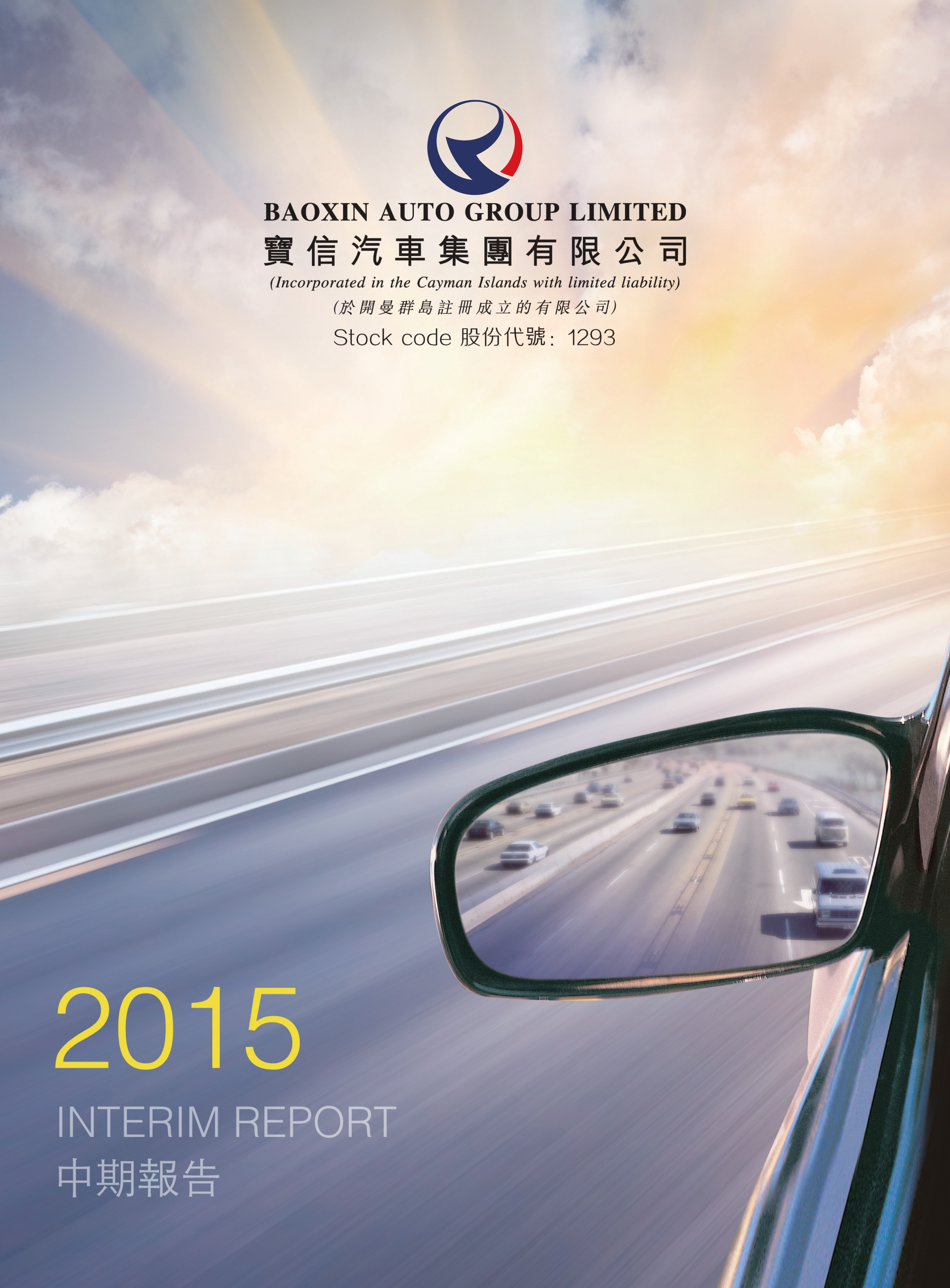
BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司

(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

2015
INTERIM REPORT
中期報告



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. LU Linkui

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

COMPANY SECRETARY

Mr. CHEN Changdong

AUTHORISED REPRESENTATIVES

Mr. YANG Hansong
Mr. CHEN Changdong

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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12 Harcourt Road, Hong Kong.

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HONG KONG BRANCH SHARE REGISTER

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

LEGAL ADVISER TO HONG KONG LAW

Cleary Gottlieb Steen & Hamilton (Hong Kong)
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Causeway Bay, Hong Kong.

AUDITORS

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

Chairman's Statement

Looking back to the first half of 2015, facing difficult economic conditions both domestically and abroad and the ever-growing downward economic pressure, the Chinese macro-economy continued to grow at a slow pace. The GDP growth further decelerated to 7.0%, representing the lowest growth recorded since the global financial crisis in 2008. China's automobile market has weakened under the downward economic pressure and the sales growth of new automobiles declined significantly. In addition, the implementation of the policy on automobile purchase restrictions in tier-1 cities and the rapid growth in automobile ownership in recent years also aggravated the daunting situation. Amid the weakening sales growth in China, luxury automobile brand manufacturers expressed intention to provide subsidies to dealers in China, optimize the dealer assessment system, improve internal process and speed up the return and reimbursement processes for dealers. The luxury automobile brand manufacturers are also planning to provide assistance to dealers in China to develop new business sectors in respect of after-sales services, pre-owned automobile transactions and financing services, and to introduce cost effective models to explore their markets, allowing the dealers to cope with competitions and maintain healthy growth. Despite the gradual slowdown of sales growth of new automobiles, the market of after-sales services and pre-owned automobile will continue to maintain its strong growth momentum as the automobile industry of China is consistently developing and becoming more mature.

The first half of 2015 was a challenging period for new automobile business. Due to weak market demand and greater inventory risk, the Group remained prudent towards the growth of new automobile sales, so as to prevent the risk of overstock and maintain a stable profit. The Group has adjusted the wholesale targets of certain outlets since the second quarter to slow down the pick-up rate and strictly control the inventory level. During the reporting period for the six months ended June 30, 2015, the Group sold a total of 32,697 new vehicles, representing a decrease of approximately 11.0% as compared to the same period in 2014; of which 28,015 were sales of automobiles from luxury and ultra-luxury brands, representing a year-on-year decrease of 8.4%. In line with the dramatic drop in the sales of Jaguar & Land Rover in the Chinese market, the Group's sales of Jaguar & Land Rover for the period also decreased by 40.3%. Leveraging its extensive experience in management, the Group strictly controlled the average inventory turnover days for the first half of 2015 and the Group's inventory decreased by 16.5% as compared to the same period last year to RMB2,551.2 million as at June 30, 2015, which was well below industry average level and at the same time maintained a stable gross profit margin for new automobiles.

Despite the challenging new vehicles market, the Group further refined and implemented the growth strategies for after-sales services and consolidated and renovated a number of outlets during the first six months of 2015. The after-sales repair and maintenance business experienced strong rebound as compared to the second half of 2014. For the six months ended June 30, 2015, revenue from the after-sales services amounted to RMB1,758.7 million, representing an increase of 4.6% and 27.7% as compared to the same period of 2014 and the second half of 2014, respectively, and accounted for 12.5% of the total revenue. The revenue generated from after-sales services for luxury and ultra-luxury brands amounted to RMB1,692.7 million, representing an increase of 7.4% as compared to RMB1,575.5 million of the same period in 2014, and accounted for 96.2% of the total revenue of after-sales services. After-sales services business contributed 63.3% to the gross profit of the Group for the six months ended June 30, 2015.

The Group further expanded its vehicle value-added services business in the first half of 2015. The commission income from, among others, automobile insurance, auto financing and trading business of pre-owned vehicles amounted to RMB176.0 million, representing an increase of 3.2% as compared to the same period of 2014. For insurance business, the business of renewal of insurances and extended warranty recorded a significant increase. The year-on-year growth in both volume and premium of insurance renewal was 20%, while the year-on-year growth in volume of extended warranty was 36%. For auto financing, the automobile financing penetration rate of new automobile transactions was 33%, significantly increased by 7 percentage points as compared to the same period in 2014 and the year-on-year growth of financial service throughputs was 9.3%; the commission income derived from automobile financing grew by 6.9% year-on-year. For pre-owned vehicles business, by leveraging its inherent advantage of having the access to pre-owned automobiles and active use of the auction platform for pre-owned automobiles, the Group has achieved notable increase in gross profit margin.

Chairman's Statement

During the first half of 2015, given the continuous volatile macro-economy, the Group strived for delivering maximum profit for the shareholders by enhancing its efforts in various measures on cost control. For the six months ended June 30, 2015, sales and marketing costs, administrative costs and financing costs of the Group amounted to RMB971.6 million, representing a year-on-year decrease of 6.6%; and accounted for 6.9% of the total revenue. In August 2015, the Group successfully further obtained a US$242 million syndicated loan in Hong Kong, with a three-year term and low interest rate at Libor+3.7%, which is considerably lower than the on-shore funding costs. In the second half of the year, the BMW stores of the Group will officially commence its auto financing business with BMW Finance in September 2015. This project will gradually help to solve and partly overcome the impediment of the requirements of high security deposit ratio in bank loans and high-cost loan businesses, enabling the Company to further control and lower its financial cost.

Looking ahead, as the leading automobile dealer group in China, we will continue to perfect and implement prudent business strategies with timely adjustment on the development directions. We will also live up with the trend and seize the market opportunities to continue to enhance our strategic cooperation partnerships with OEMs and strengthen the cooperation in terms of auto financing business, pre-owned automobile market and staff training. In addition, by enhancing the cooperation with major insurance companies and commercial banks, we will expand the automobile insurance and auto financing businesses with a view to raise the financing penetration rate and insurance retention rate. Facing the volatile market environment, we will continue to strictly control the inventory level and costs of operation and management, aim to expand our income sources, reduce expenses and enhance cost effectiveness.

It has always been the Group's principal philosophy to be customer-oriented and provide professional services and we are committed to the continuous innovation and value creation in this complicated and changing industry. We strongly believe that the support from our employees, investors and business partners is our motivation and solid foundation to move forward. I, on behalf of the Board, hereby extend my heartfelt gratitude to each of our shareholders, business partners, customers and employees for their long-term support, trust and encouragement. We are determined to dedicate ourselves and strive to pay back our shareholders with fruitful achievements and strong results.

Yang Aihua
Chairman

Hong Kong, August 31, 2015

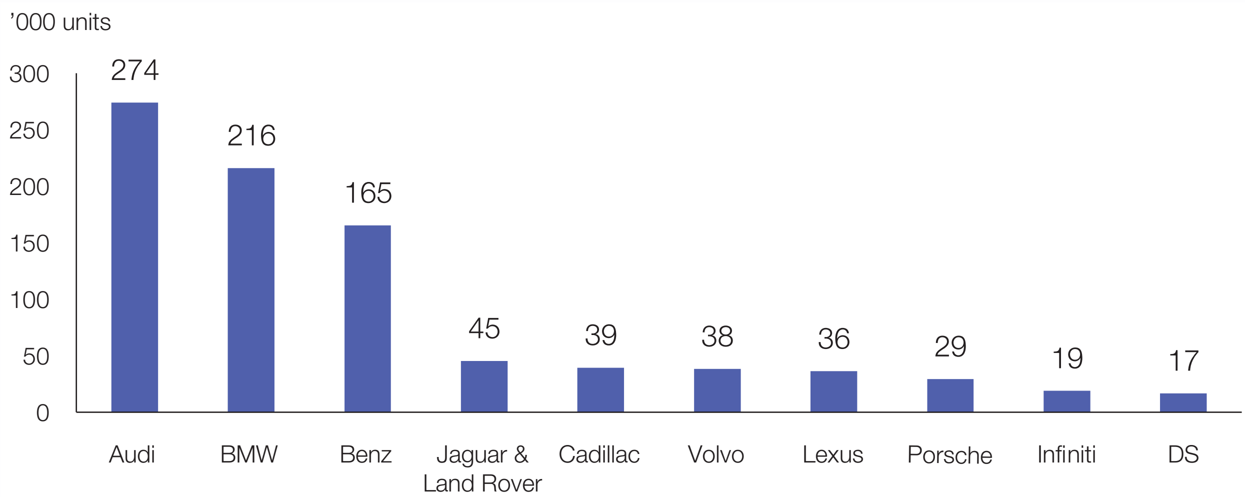
INDUSTRY OVERVIEW

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

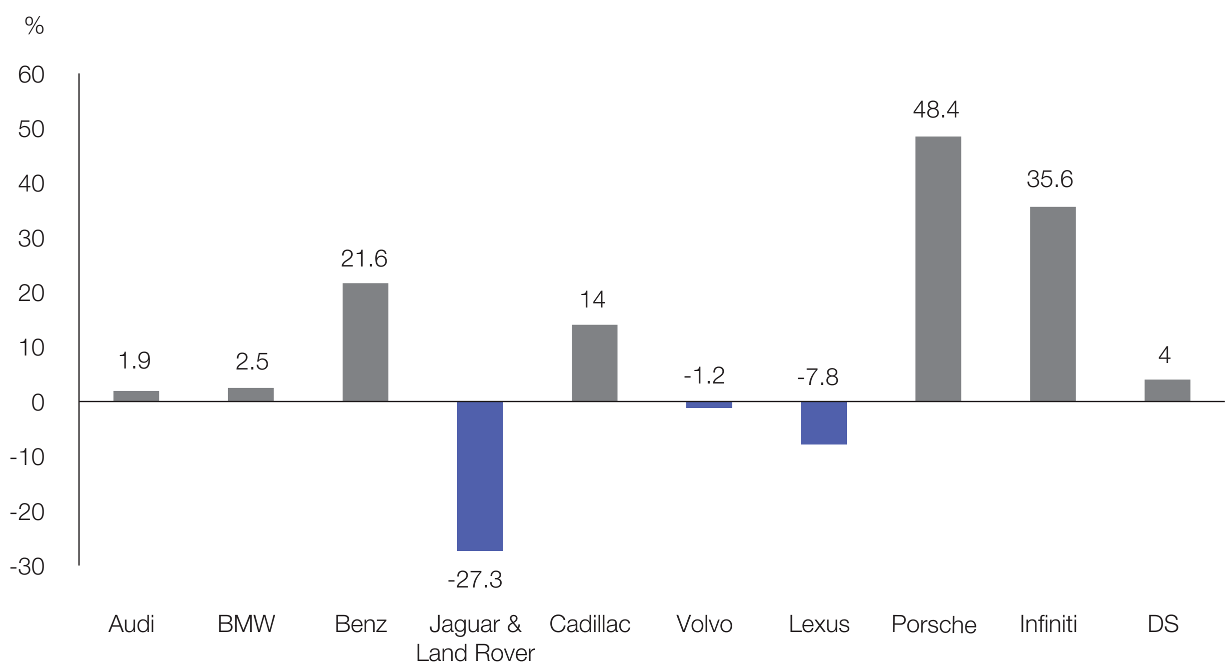
In line with the overall performance of China's automobile market, the luxury automobile market also dampened. Statistics published by the State Information Center indicate the sales volume of luxury automobile has increased by 4.8% in the first half of the year (Note: representing the comparison of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

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

Sales Volume



Year-on-year growth rate



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

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

BUSINESS OVERVIEW

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

Defensive strategies on new car sales and dealer network expansion

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

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

At the end of 2014, China Automobile Dealers Association stated that only 30% of the dealers were profitable. The number further declined in the first half of the year, according to the China Auto Dealers Chamber of Commerce, 90% of the dealers were experiencing a loss and quitted the market one after another. Such experiences were also observed in a number of well-established large and medium-sized dealers. Under the influence of such market conditions, the Group had made swift adjustments leveraging its extensive experience in management and its successful brand strategy. With the priority to protect its profits, the Group consolidated the 4S stores, lowered sales targets to prevent offering of greater discount for new vehicles and actively communicated with the manufacturers. As at June 30, 2015, the Group's gross profit margin from sales of new cars was 3.9%, while the gross profit margin from sales of new cars of luxury and ultra-luxury brands reached 4.1%, which was well above industry average.

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

Stable growth in after-sales services

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

Vehicle value-added services maintained a stable growth

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

Insurance Business

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

Automobile Financing

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

Pre-owned Automobile Business

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

Cost of sales and services

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

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

Gross profit and gross profit margin

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

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

Other income and net gains

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

Profit from operations

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

Profit for the period

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

Taxation

Income tax expense decreased by 28% from RMB193.6 million for the six months ended June 30, 2014 to RMB139.4 million for the same period in 2015. Our effective tax rate was 25.7% for the six months ended June 30, 2014 and stayed the same for the same period of 2015. The decrease in income tax expense is in line with the decline of profit before tax.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

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

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

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank loans and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the six months ended June 30, 2015, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB448.1 million (six months ended June 30, 2014: RMB330.6 million), RMB318.0 million (six months ended June 30, 2014: RMB599.5 million), and RMB164.7 million (six months ended June 30, 2014: RMB178.8 million), respectively.

Net Current Assets

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

Capital Expenditure

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

Inventory

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

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

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

Bank loans and other borrowings

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

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

Interest rate risk and foreign exchange rate risk

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

The Group did not have any material foreign currency transactions in Mainland China for the six months ended June 30, 2015. The Group had minimal exposure of foreign currency risk. We did not use any derivative financial instruments to hedge our exposure to the foreign exchange rate risk during the six months ended June 30, 2015.

Gearing ratio

Our gearing ratio (as defined as net debt divided by equity attributable to owners of the Company plus net debt) for the six months ended June 30, 2015 was 62.5% (December 31, 2014: 69.5%).

Human resources

As at June 30, 2015, the Group had approximately 6,158 employees (December 31, 2014: 6,744). Total staff costs for the six months ended June 30, 2015, excluding directors' remuneration were approximately RMB280.8 million (six months ended June 30, 2014: RMB287.6 million).

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

Contingent liabilities

As at June 30, 2015 and December 31, 2014, the Group had no significant contingent liabilities.

Pledge of the Group's assets

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

Changes since December 31, 2014

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended December 31, 2014.

FUTURE OUTLOOK AND STRATEGY

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2015, the interests and short positions of the Directors or chief executives 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 "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Name of Director/ Chief Executive	Nature of interest	Number of shares or underlying shares[4]	Approximate percentage of shareholding interest
Mr. Yang Aihua[1]	Interest in controlled corporation	1,370,144,000 (L)	53.58%
Mr. Yang Zehua[2]	Beneficiary of a trust and interest in controlled corporation	283,198,000(L)	11.07%
Mr. Yang Hansong[3]	Interest in controlled corporation	155,278,000 (L)	6.07%
Ms. Hua Xiuzhen	Beneficial owner	18,000,000 (L)	0.70%
Mr. Zhao Hongliang	Beneficial owner	18,000,000 (L)	0.70%
Mr. Chen Changdong	Beneficial owner	18,000,000 (L)	0.70%

Notes:

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

(2) Mr. Yang Zehua is one of the beneficiaries of the Yang's Trust and is deemed to be interested in the shares held by Jumbo Create Investment Development Limited and Auspicious Splendid Global Investments Limited.

(3) Mr. Yang Hansong is deemed to be interested in the shares held by Wilfred Speedy Investment Development Limited.

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

Save as disclosed above, as at June 30, 2015, none of the Directors, chief executives 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 Stock Exchange pursuant to the Model Code.

Apart from the Share Option Scheme (as defined in the subsection "Share Option Scheme" below), during the six months ended June 30, 2015, the Company and any of its subsidiaries were not a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for those disclosed above, during the six months ended June 30, 2015, none of the Directors (including their spouses and children under the age of 18) held any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF THE SHAREHOLDERS UNDER THE SFO

As at June 30, 2015, 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[3]	Approximate percentage of shareholding interest
Baoxin Investment Management Ltd.[1]	Beneficial owner	1,242,224,000 (L)	48.58%
Sunny Sky Limited[1]	Interest in controlled corporation	1,242,224,000 (L)	48.58%
Credit Suisse Trust Limited[1]	Trustee	1,242,224,000 (L)	48.58%
Brock Nominees Limited	Interest in controlled corporation	1,242,224,000 (L)	48.58%
Tenby Nominees Limited	Interest in controlled corporation	1,242,224,000 (L)	48.58%
Auspicious Splendid Global Investments Limited	Beneficial owner	127,920,000 (L)	5.00%
Ms. Yang Chu Yu[2]	Trustee	127,920,000 (L)	5.00%
Jumbo Create Investment Development Limited	Beneficial owner	155,278,000 (L)	6.07%
Wilfred Speedy Investment Development Limited	Beneficial owner	155,278,000 (L)	6.07%
Schroders Plc	Investment manager	153,140,053 (L)	5.98%

Notes:

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

(2) 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 Global Investments Limited as the trustee pursuant to the trust deed in respect of the Yang's Trust dated July 12, 2011.

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

Save as disclosed above, the Company has 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, 2015.

NON COMPETITION UNDERTAKING

Reference is made to our prospectus dated December 2, 2011. Each of our controlling shareholders, namely Baoxin Investment Management Ltd., Auspicious Splendid Global Investments Limited, and Mr. Yang Aihua (the "**Controlling Shareholders**", and each, a "**Controlling Shareholder**") has entered into a Deed of Non-Competition (the "**Deed of Non-Competition**") in favor of us, pursuant to which each of the Controlling Shareholders has undertaken to us (for itself and for the benefit of its subsidiaries) that it would not and would use its best endeavours to procure that its associates (except any members of our Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the business of any members of our Group from time to time (the "**Restricted Business**"). There has been no change to the terms of the Deed of Non-Competition since its signing.

Each of our Controlling Shareholders has complied with the Deed of Non-Competition from the date of the listing to the end of the six months ended June 30, 2015. The Controlling Shareholders have confirmed to the Board that, from the date of the listing to the end of the six months ended June 30, 2015, (i) the Controlling Shareholders and their respective associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**")) do not, directly or indirectly, carry on or hold any right or interest in or render any services to, or is otherwise involved in, any business which is in competition with the business of any members of our Group; (ii) where there are any opportunities to invest or otherwise participate in any Restricted Business, the Controlling Shareholders have informed the Board and offered such opportunities to the Company; and (iii) any investment or participation in any Restricted Business has been made or done through members of our Group.

The Directors (including independent non-executive Directors) have discussed with the Controlling Shareholders or their representatives on the Board on, and reviewed, the opportunities to invest or participate in Restricted Businesses, and are satisfied that the Controlling Shareholders have complied with the Deed of Non-Competition from the date of the listing to the end of the six months ended June 30, 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, throughout the six months ended June 30, 2015, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Our chairman, Mr. YANG Aihua, is responsible for the operation and management of the Board, whilst our vice-chairman and chief executive officer, Mr. YANG Hansong, is responsible for the business operations of the Company. The Board considers that the respective responsibilities of the chairman and chief executive officer are clear and distinctive and therefore written terms thereof are not necessary.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2015.

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

AUDIT COMMITTEE REVIEW

Pursuant to the requirement of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising Mr. DIAO Jianshen (chairman), Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan, all of whom are the Company's independent non-executive Directors. The written terms of reference of the Audit Committee, the revised form of which was approved by the Board on August 31, 2015, are available at the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2015 and are of the view that the Group's condensed consolidated financial statements for the six months ended June 30, 2015 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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, 2015 and at or before the date of this interim report.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

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

Save as disclosed above, neither the Company, nor any of its subsidiaries held any significant investment, or entered into any significant acquisition or disposal during the six months ended June 30, 2015.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

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.

During the six months ended June 30, 2015, no share options to subscribe for the ordinary shares of the Company were granted under the Share Option Scheme and there had been no movements in the outstanding share options granted under the Share Option Scheme. The particulars of the share options under the Share Option Scheme are as follows.

Type of participant	Date of grant	Exercise period	Vesting period	Exercise price per Share	Number of share options Outstanding as at January 1, 2015	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Expired during the Reporting Period	Outstanding as at June 30, 2015
Employee	September 4, 2014	Upon acceptance of the share options by the relevant grantee till the earlier of (i) the day on which the relevant grantee ceases to be an employee of the Company and its subsidiaries and (ii) September 4, 2016	One-off basis upon acceptance of the share options by the relevant grantee	HK$5.72	15,550,000	–	–	–	–	–	15,550,000

No share option was exercised during the six months ended June 30, 2015 and as at both the beginning and the end of the six months ended June 30, 2015, the Company had 15,550,000 share options outstanding under the Share Option Scheme.

All of the grantees are employees of the Company and its subsidiaries, and none of the grantees is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, nor an associate of any of them (as defined in the Listing Rules). The Share Options are subject to acceptance by the grantees. 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 2014 annual report of the Company.

Consolidated Interim Statement of Profit or Loss

For the six months ended June 30, 2015

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

Consolidated Interim Statement of Comprehensive Income

For the six months ended June 30, 2015

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

Consolidated Interim Statement of Financial Position

June 30, 2015

	Notes	**Unaudited June 30, 2015 RMB'000**	Audited December 31, 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,869,117**	3,788,537
Prepaid land lease payment		**603,752**	537,139
Intangible assets		**902,629**	922,189
Prepayments and deposits		**413,088**	498,084
Finance lease receivables		**7,559**	12,207
Goodwill		**100,725**	100,725
Investment in a joint venture		**47,931**	45,016
Investment in an associate		**86,301**	–
Available-for-sale investment		**16,568**	16,573
Deferred tax assets		**74,290**	74,229
Total non-current assets		**6,121,960**	5,994,699
CURRENT ASSETS			
Inventories	10	**2,551,172**	3,056,777
Trade receivables	11	**285,197**	393,155
Finance lease receivables		**26,588**	12,731
Prepayments, deposits and other receivables		**5,251,004**	5,503,515
Amounts due from related parties	19(b)	**41,176**	41,063
Pledged bank deposits		**1,157,367**	2,436,468
Cash in transit		**59,556**	134,987
Cash and cash equivalents		**2,168,475**	2,202,892
Total current assets		**11,540,535**	13,781,588
CURRENT LIABILITIES			
Bank loans and other borrowings	12	**4,968,006**	5,107,438
Trade and bills payables	13	**2,506,804**	4,877,913
Other payables and accruals		**431,304**	779,516
Income tax payable		**618,541**	522,339
Dividends payable		**101,244**	–
Total current liabilities		**8,625,899**	11,287,206
Net current assets		**2,914,636**	2,494,382
Total assets less current liabilities		**9,036,596**	8,489,081
NON-CURRENT LIABILITIES			
Bank loans	12	**2,854,793**	2,621,136
Bonds	14	**405,790**	396,095
Deferred tax liabilities		**324,654**	323,050
Total non-current liabilities		**3,585,237**	3,340,281
Net assets		**5,451,359**	5,148,800

Consolidated Interim Statement of Financial Position

June 30, 2015

	Notes	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**20,836**	20,836
Reserves		**5,368,406**	4,966,581
Proposed final dividend		**–**	101,244
		5,389,242	5,088,661
Non-controlling interests		**62,117**	60,139
Total equity		**5,451,359**	5,148,800

Consolidated Interim Statement of Changes in Equity

For the six months ended June 30, 2015

	Attributable to owners of the parent										
	Share capital RMB'000	**Share premium** RMB'000	**Share awards and option reserve** RMB'000	**Statutory reserve** RMB'000	**Merger reserve** RMB'000	**Exchange fluctuation reserve** RMB'000	**Retained profits** RMB'000	**Proposed final dividend** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At January 1, 2014	**20,836**	**1,868,372**	**15,925**	**271,303**	**(58,327)**	**7,636**	**2,240,486**	**303,885**	**4,670,116**	**53,149**	**4,723,265**
Profit for the period	–	–	–	–	–	–	547,074	–	547,074	12,854	559,928
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	(7,825)	–	–	(7,825)	–	(7,825)
Total comprehensive income for the period	–	–	–	–	–	(7,825)	547,074	–	539,249	12,854	552,103
Equity-settled share-based transactions	–	–	8,584	–	–	–	–	–	8,584	–	8,584
Final 2013 dividend declared	–	–	–	–	–	–	–	(303,885)	(303,885)	–	(303,885)
At June 30, 2014 (unaudited)	**20,836**	**1,868,372**	**24,509**	**271,303**	**(58,327)**	**(189)**	**2,787,560**	**–**	**4,914,064**	**66,003**	**4,980,067**
At January 1, 2015	**20,836**	**1,767,128**	**31,670**	**350,069**	**(58,327)**	**7,677**	**2,868,364**	**101,244**	**5,088,661**	**60,139**	**5,148,800**
Profit for the period	–	–	–	–	–	–	401,261	–	401,261	1,978	403,239
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	–	–	–	–	–	564	–	–	564	–	564
Total comprehensive income for the period	–	–	–	–	–	564	401,261	–	401,825	1,978	403,803
Equity-settled share-based transactions	–	–	–	–	–	–	–	–	–	–	–
Final 2014 dividend declared	–	–	–	–	–	–	–	(101,244)	(101,244)	–	(101,244)
At June 30, 2015 (unaudited)	**20,836**	**1,767,128**	**31,670**	**350,069**	**(58,327)**	**8,241**	**3,269,625**	**–**	**5,389,242**	**62,117**	**5,451,359**

Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2015

	Notes	Unaudited For the six months ended June 30, 2015 RMB'000	Unaudited For the six months ended June 30, 2014 RMB'000
Operating activities			
Profit before tax		**542,663**	753,490
Adjustments for:			
Share of profit of a joint venture		**(2,915)**	(3,392)
Share of profit of an associate company		**10,360**	–
Depreciation of property, plant and equipment	5(c)	**148,336**	145,686
Recognition of prepaid land lease payments	5(c)	**4,943**	3,116
Amortisation of intangible assets	5(c)	**18,528**	19,904
Gain on disposal of a subsidiary	4(b)	**(16,016)**	–
Interest income	4(b)	**(15,308)**	(15,984)
Net loss on disposal of items of property, plant and equipment	4(b)	**1,110**	67
Finance costs	6	**269,632**	285,684
Equity-settled share option expense	5(a)	**–**	8,584
		961,333	1,197,155
Decrease in pledged bank deposits		**1,279,101**	973,610
Decrease in cash in transit		**75,431**	13,763
Decrease in trade and bills receivables		**107,958**	87,205
Decrease/(increase) in prepayments, deposits and other receivables		**229,149**	(1,238,239)
Decrease/(increase) in inventories		**505,605**	(903,918)
(Decrease)/increase in trade and bills payables		**(2,371,109)**	419,757
Decrease in other payables and accruals		**(282,676)**	(121,233)
Increase of finance lease receivable		**(9,209)**	–
Cash generated from operations		**495,583**	428,100
Income tax paid		**(47,522)**	(97,468)
Net cash generated from operating activities		**448,061**	330,632

Consolidated Interim Statement of Cash Flows

For the six months ended June 30, 2015

	Notes	Unaudited For the six months ended June 30, 2015 RMB'000	Unaudited For the six months ended June 30, 2014 RMB'000
Investing activities			
Purchase of items of property, plant and equipment		**(353,340)**	(554,772)
Proceeds from disposal of items of property, plant and equipment		**123,146**	33,741
Prepaid land lease payment		**(3,490)**	(27,738)
Purchase of intangible assets		**520**	(2,674)
Acquisition of subsidiaries net of cash paid		**–**	(63,995)
Deemed disposal of a subsidiary	17	**(100,151)**	–
Interest received		**15,308**	15,984
Net cash used in investing activities		**(318,007)**	(599,454)
Financing activities			
Proceeds from bank loans and other borrowings		**3,990,274**	6,189,848
Repayment of bank loans and other borrowings		**(3,896,049)**	(6,066,560)
Interest paid		**(258,912)**	(302,112)
Net cash used in financing activities		**(164,687)**	(178,824)
Net decrease in cash and cash equivalents		**(34,633)**	(447,646)
Cash and cash equivalents at the beginning of each period		**2,202,892**	2,020,926
Effect of foreign exchange rate changes, net		**216**	759
Cash and cash equivalents at the end of each period		**2,168,475**	1,574,039

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on September 6, 2010. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on December 14, 2011.

During the period, the Group was principally engaged in the sale and service of motor vehicles.

In the opinion of the Directors, the ultimate holding company of the Company is Baoxin Investment Management Ltd., which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended June 30, 2015 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated interim financial statements were presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on August 31, 2015. These condensed consolidated interim financial statements have not been audited.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015, noted below.

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

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

The adoption of these revised HKFRSs has had no significant financial effect on the condensed consolidated interim 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

HKFRS 9	*Financial Instruments*[2]
HKFRS 10 and HKAS 28 (Revised) Amendments	Amendments to HKFRS 10 and HKAS 28 (Revised) — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
HKFRS 10, HKFRS 12 and HKAS 28 (Revised) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 28 — *Investment Entities: Applying the Consolidation Exception*[1]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Joint Arrangements* — *Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKAS 1 Amendments	Amendments to HKAS 1 — *Disclosure Initiative*[1]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 – *Agriculture: Bearer Plants*[1]
HKAS 27 (Revised) Amendments	Amendments to HKAS 27 *Equity Method in Separate Financial Statements*[1]
Annual Improvements 2010–2014 Cycle	Amendments to a number of HKFRSs[1]

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

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

3. SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended June 30, 2015, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended June 30, 2015 RMB'000	Unaudited For the six months ended June 30, 2014 RMB'000
(a) Employee benefit expense (including Directors' remuneration)		
Wages and salaries	188,878	190,983
Other welfare	91,894	92,932
Equity-settled share option expense	–	8,584
	280,772	292,499
(b) Cost of sales and services		
Cost of sales of motor vehicles	11,801,698	13,818,541
Others	935,708	877,930
	12,737,406	14,696,471
(c) Other items		
Depreciation of items of property, plant and equipment	148,336	145,686
Recognition of prepaid land lease payments	4,943	3,116
Amortisation of intangible assets	18,528	19,904
Advertisement and business promotion expenses	55,256	76,921
Bank charges	31,777	29,619
Lease expenses	82,294	74,715
Logistics and gasoline expenses	37,204	40,757
Office expenses	9,976	11,557

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the British Virgin Islands ("BVI") is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiary incorporated in Hong Kong is subject to an income tax at the rate of 16.5% (six months ended June 30, 2014: 16.5%) during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law of the People's Republic of China, the income tax rate is 25% (six months ended June 30, 2014: 25%).

8. DIVIDENDS

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

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

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity holders of the parent by the weighted average number of shares in issue, during the six months ended June 30, 2015 and 2014, respectively.

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2015 and 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Unaudited For the six months ended June 30, 2015	Unaudited For the six months ended June 30, 2014
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**401,261**	547,074
Shares		
Weighted average number of ordinary shares in issue during the period	**2,557,311,429**	2,557,311,429
Earnings per share		
Basic and diluted (RMB)	**0.16**	0.21

10. INVENTORIES

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

11. TRADE RECEIVABLES

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

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not offer any credit to the Group's customers for automobile purchases or for out-of-warranty repairs that are not covered by insurance. However, the Group generally provides a credit term of two to three months to automobile manufacturers for the reimbursement of costs relating to the in-warranty repair services. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Within 3 months	**240,884**	343,982
More than 3 months but less than 1 year	**27,888**	47,211
Over 1 year	**16,425**	1,962
	285,197	393,155

11. TRADE RECEIVABLES *(Continued)*

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

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Neither past due nor impaired	**268,772**	391,193
Over 1 year past due	**16,425**	1,962
	285,197	393,155

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. BANK LOANS AND OTHER BORROWINGS

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

13. TRADE AND BILLS PAYABLES

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

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

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

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

14. BONDS

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

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

15. SHARE CAPITAL

	As at June 30, 2015 and December 31, 2014
Shares	
Authorised:	
Ordinary shares	5,000,000,000 shares of HK$0.01 each
Issued and fully paid	
Ordinary shares	2,557,311,429 shares of HK$0.01 each
Equivalent to RMB'000	20,836

16. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 14 December 2011, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the listing date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, an amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part of the payment of the exercise price. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one year and ends on the expiry date of the Scheme.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

16. SHARE OPTION SCHEME *(Continued)*

	2015 Weighted average exercise price HK$ per share	2015 Number of options
At 1 January	**5.724**	**15,550,000**
At 30 June	**5.724**	**15,550,000**

	2014 Weighted average exercise price HK$ per share	2014 Number of options
At 1 January	6.830	13,150,000
Granted on 10 January 2014 ("Option B")	6.786	2,000,000
Option A cancelled on 4 September 2014	6.830	(13,150,000)
Option B cancelled on 4 September 2014	6.786	(2,000,000)
Granted on 4 September 2014 as modification to the cancelled Option A and Option B on 4 September 2014	5.724	15,150,000
Granted on 4 September 2014 ("Option C")	5.724	400,000
At 31 December	5.724	15,550,000

No share options were exercised during the year.

The exercise period of the share options outstanding as at 30 June 2015 is from 4 September 2014 to 4 September 2016.

During the six months ended June 30, 2015, no expense recognized in the income statement for the Share Option Scheme (six months period ended June 30, 2014: RMB8,584,000).

16. SHARE OPTION SCHEME *(Continued)*

The fair value of equity-settled share options granted during the year 2014 was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

2014

Option A	Before modification	After modification
Dividend yield (%)	2.65%	2.21%
Expected volatility (%)	40.2%	38.9%
Risk-free interest rate (%)	0.38%	0.54%
Underlying price (HK$ per share)	6.830	5.724

Option B	On grant date	Before modification	After modification
Dividend yield (%)	2.33%	2.65%	2.21%
Expected volatility (%)	49.0%	47.2%	38.9%
Risk-free interest rate (%)	0.77%	0.71%	0.54%
Underlying price (HK$ per share)	6.786	6.786	5.724

Option C	
Dividend yield (%)	2.65%
Expected volatility (%)	42.3%
Risk-free interest rate (%)	0.54%
Underlying price (HK$ per share)	5.724

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 15,550,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 15,550,000 additional ordinary shares of the Company and additional share capital of HK$89,008,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 15,550,000 share options outstanding under the Scheme, which represented approximately 0.61% of the Company's shares in issue as at that date.

17. DEEMED DISPOSAL OF A SUBSIDIARY

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

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

The Company recognized a total of gain amounting to RMB16.0 million (note 4(b)) from the Deemed Disposal in 2015.

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

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

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

18. COMMITMENTS

(a) Capital commitments

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

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Contracted, but not provided for land use rights and buildings	**222,500**	212,500
Authorised, but not contracted for land use rights and buildings	**250,000**	270,000
	472,500	482,500

(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, 2015			Audited At December 31, 2014		
	Properties RMB'000	**Land RMB'000**	**Vehicles RMB'000**	Properties RMB'000	Land RMB'000	Vehicles RMB'000
Within 1 year	**102,521**	**51,050**	**8,969**	111,742	65,307	9,090
After 1 year but within 5 years	**271,011**	**165,428**	**35,635**	322,807	229,553	35,721
After 5 years	**307,493**	**540,136**	**30,438**	373,137	523,619	35,666
	681,025	**756,614**	**75,042**	807,686	818,479	80,477

The Group is the lessee in respect of a number of properties, land and vehicles held under operating leases.

19. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

Shanghai Zhongchuang Automobile Sales Co., Ltd. and Shanghai Minhang Kailong Automobile Sales Co., Ltd. entered into lease agreements with Shanghai Kailong, as landlord, pursuant to which each of these subsidiaries leases from Shanghai Kailong the premises currently used by them. The rental expenses of Shanghai Zhongchuang Automobile Sales Co., Ltd. and Shanghai Minhang Kailong Automobile Sales Co., Ltd. were RMB400,000 and RMB200,000, respectively, in the six months ended June 30, 2015 (six months ended June 30, 2014: RMB400,000 and RMB200,000, respectively).

(b) Balances with related parties

The Group had the following significant balances with its related parties as at June 30, 2015:

Amounts due from related parties:

	Unaudited June 30, 2015 RMB'000	Audited December 31, 2014 RMB'000
Non-trade related:		
A jointly-controlled entity		
— Shenyang Xinbaohang Automobile Sales & Services Co., Ltd.	**40,835**	40,835
The Controlling Shareholder		
— Mr. Yang Aihua	**341**	228
	41,176	41,063

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

	Unaudited For the six months ended June 30, 2015 RMB'000	Unaudited For the six months ended June 30, 2014 RMB'000
Short term employee benefits	**8,481**	7,760
Post-employee benefits	**317**	294
Total compensation paid to key management personnel	**8,798**	8,054

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	June 30, 2015 RMB'000	December 31, 2014 RMB'000	**June 30, 2015 RMB'000**	December 31, 2014 RMB'000
Financial liabilities				
Bonds	**405,790**	396,095	**424,450**	418,646

Management has assessed that the fair values of cash and cash equivalents, cash in transit, pledged bank deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related parties and current portion of bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of non-current portion of bank loans and other borrowings with floating interest rates approximate to their carrying amounts because the interest rates are adjusted periodically by reference to the fair market interest rates.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of the bank loans and other borrowings with fixed interest rate and bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank loans and bonds as at June 30, 2015 was assessed to be insignificant.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:
Group

As at June 30, 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	424,450	424,450

As at December 31, 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bonds	–	–	418,646	418,646

21. EVENT AFTER THE REPORTING PERIOD

There is no significant subsequent event undertaken by the Company or by the Group after June 30, 2015.

BAOXIN AUTO GROUP LIMITED
寶信汽車集團有限公司