GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code:1293)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Grand Baoxin Auto Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the six months ended 30 June 2017, as follows:

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017:

- Revenue increased by 44.1% to RMB15,671.0 million as compared to the corresponding period in 2016, especially in the sales of automobile, which increased by 45.9% to RMB13,894.9 million.
- Gross profit increased by 40.5% to RMB1,344.0 million as compared to the corresponding period in 2016.
- Profit attributable to owners of the parent increased by 521.3% to RMB400.3 million as compared to the corresponding period in 2016.
- Basic earnings per share increased by 433.3% to RMB0.16 as compared to the corresponding period in 2016.

SUMMARY OF INTERIM FINANCIAL RESULTS

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2017

	Notes	**Unaudited For the six months ended June 30, 2017** ***RMB'000***	Unaudited For the six months ended June 30, 2016 *RMB'000*
REVENUE	4(a)	**15,670,995**	10,871,401
Cost of sales and services provided	5(b)	**(14,327,034)**	(9,914,574)
Gross profit		**1,343,961**	956,827
Other income and gains, net	4(b)	**302,790**	190,119
Selling and distribution expenses		**(414,630)**	(448,646)
Administrative expenses		**(334,494)**	(340,421)
Profit from operations		**897,627**	357,879
Finance costs	6	**(333,667)**	(241,989)
Share of profits of:			
A joint venture		**1,496**	2,782
Associates		**929**	—
Profit before tax	5	**566,385**	118,672
Income tax expense	7	**(165,943)**	(51,902)
Profit for the period		**400,442**	66,770
Attributable to:			
Owners of the parent		**400,327**	64,436
Non-controlling interests		**115**	2,334
		400,442	66,770
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
- For profit for the period (RMB)	9	**0.16**	0.03

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

	Unaudited For the six months ended June 30, 2017	Unaudited For the six months ended June 30, 2016
	RMB'000	*RMB'000*
Profit for the period	**400,442**	66,770
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**77,926**	(90,027)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**77,926**	(90,027)
Other comprehensive income for the period, net of tax	**77,926**	(90,027)
Total comprehensive income for the period	**478,368**	(23,257)
Attributable to:		
Owners of the parent	**478,253**	(25,591)
Non-controlling interests	**115**	2,334
	478,368	(23,257)

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2017

	Notes	**Unaudited June 30, 2017** *RMB'000*	Audited December 31, 2016 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,026,206**	3,740,983
Prepaid land lease payment		**494,008**	498,706
Intangible assets		**1,164,877**	989,736
Prepayments and deposits		**269,424**	258,534
Finance lease receivables	10	**562,505**	4,589
Goodwill		**892,788**	224,776
Derivative financial instruments		**—**	1,421
Investment in a joint venture		**58,137**	56,641
Investment in associates		**39,552**	38,623
Available-for-sale investment		**17,219**	17,747
Deferred tax assets		**168,136**	121,858
Total non-current assets		**7,692,852**	5,953,614
CURRENT ASSETS			
Inventories	11	**3,649,202**	2,935,521
Trade receivables	12	**728,038**	650,830
Prepayments, deposits and other receivables		**6,535,743**	6,118,226
Amounts due from related parties		**61,867**	103,797
Finance lease receivables	10	**383,953**	18,757
Equity investments at fair value through profit or loss		**—**	12,050
Derivative financial instruments		**—**	24,424
Pledged bank deposits		**1,318,248**	2,142,842
Cash in transit		**91,855**	108,602
Cash and cash equivalents		**2,735,552**	3,721,285
Total current assets		**15,504,458**	15,836,334

	Notes	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**3,287,483**	4,800,609
Trade and bills payables	14	**3,800,606**	4,624,595
Other payables and accruals		**1,813,874**	1,202,460
Amounts due to related parties		**6,506**	—
Income tax payable		**371,379**	277,260
Derivative financial instruments		**107,624**	—
Total current liabilities		**9,387,472**	10,904,924
Net current assets		**6,116,986**	4,931,410
Total assets less current liabilities		**13,809,838**	10,885,024
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**5,122,310**	2,751,757
Senior perpetual capital securities		**—**	2,708,415
Other payables		**58,525**	25,510
Deferred tax liabilities		**412,609**	357,871
Derivative financial instruments-non current		**19,151**	—
Amount due to a related party		**1,844,178**	—
Total non-current liabilities		**7,456,773**	5,843,553
Net assets		**6,353,065**	5,041,471

	Notes	**Unaudited June 30, 2017** *RMB'000*	Audited December 31, 2016 *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital		**23,275**	20,836
Reserves		**6,288,726**	4,980,904
		6,312,001	5,001,740
Non-controlling interests		**41,064**	39,731
Total equity		**6,353,065**	5,041,471

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Grand Baoxin Auto Group Limited (formerly known as "**Baoxin Auto Group Limited**", 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 on December 14, 2011.

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

In the opinion of the directors of the Company (the "**Director**"), the ultimate holding company of the Company is China Grand Automotive Services Co., Limited ("**CGA**"), the shares of which are listed on the Shanghai Stock Exchange.

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, 2017 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, 2016, 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 25, 2017. These condensed consolidated interim financial statements have not been audited.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2017, noted below.

The Group has adopted the following revised HKFRSs for the first time for the current period's financial statements

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRSs 12

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

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its and Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 40	*Transfers of Investment Property*[1]
HK (IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[1]
HK (IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but available for adoption

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, 2017, 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, 2017	Unaudited For the six months ended June 30, 2016
		RMB'000	*RMB'000*
(a)	**Revenue**		
	Revenue from the sale of motor vehicles	**13,894,862**	9,524,462
	Revenue from after-sales services	**1,754,257**	1,344,089
	Finance leasing services	**21,876**	2,850
		15,670,995	10,871,401
(b)	**Other income and gains, net**		
	Commission income	**296,369**	161,423
	Interest income	**5,309**	14,468
	Advertisement support received from motor vehicle manufacturers	**1,102**	698
	Rental income	**1,536**	1,464
	Government grants	**4,346**	9,222
	Net gain on disposal of items of property, plant and equipment	**1,545**	215
	Net loss on disposal of items of intangible assets	**—**	(1,325)
	Fair value (loss)/gain, net:		
	Derivative instruments	**(135,830)**	11,341
	Equity investments at fair value through profit or loss	**(891)**	(9,938)
	Net loss on disposal of subsidiaries	**(15,093)**	—
	Foreign exchange difference, net	**136,306**	—
	Others	**8,091**	2,551
		302,790	190,119

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
(a) Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	**309,063**	263,740
Other welfare	**99,930**	81,519
	408,993	345,259
(b) Cost of sales and services		
Cost of sales of motor vehicles	**13,407,112**	9,188,114
Others	**919,922**	726,460
	14,327,034	9,914,574
(c) Other items		
Depreciation of property, plant and equipment	**223,094**	164,263
Amortisation of prepaid land lease payment	**9,717**	7,726
Amortisation of intangible assets	**25,348**	19,447
Advertisement and business promotion expenses	**72,766**	62,522
Auditors' remuneration	**2,500**	3,400
Bank charges	**16,185**	28,398
Foreign exchange difference, net	**(136,306)**	12,398
Lease expenses	**93,513**	71,256
Logistics and gasoline expenses	**19,003**	20,953
Office expenses	**12,033**	10,994
Write-down of inventories to net realisable value	**4,668**	46,683
Fair value loss/(gain), net:		
Derivative instruments	**135,830**	(11,341)
Equity investments at fair value through profit or loss	**891**	9,938
Net loss on disposal of subsidiaries	**15,093**	—
Impairment of goodwill	**—**	25,051

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
Interest on bank loans, overdrafts and other loans	**202,223**	246,666
Interest expense on bonds	**—**	10,781
Interest expense on the senior perpetual capital securities	**131,444**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**333,667**	257,447
Less: Interest capitalised	**—**	(15,458)
	333,667	241,989

7. INCOME TAX EXPENSE

	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
Current:		
Mainland China corporate income tax	**184,840**	79,437
Deferred tax	**(18,897)**	(27,535)
Total tax charge for the period	**165,943**	51,902

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 subsidiaries incorporated in Hong Kong are subject to an income tax at the rate of 16.5% (six months ended June 30, 2016: 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 ("**CIT Law**") of the People's Republic of China, the income tax rate is 25% (six months ended June 30, 2016: 25%).

According to the CIT Law and the Taxation Policies on In-depth Implementation of Western Region Development Strategy, a subsidiary of the Company has been approved by the authority to pay income tax at the reduced tax rate of 15%.

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,582,062,810 (2016: 2,557,311,429) in issue during the period.

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

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2017 and 2016 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, 2017	Unaudited For the six months ended June 30, 2016
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**400,327**	64,436
Shares		
Weighted average number of ordinary shares in issue during the period	**2,582,062,810**	2,557,311,429
Earnings per share		
Basic and diluted (RMB)	**0.16**	0.03

10. FINANCE LEASE RECEIVABLES

Certain motor vehicles of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.Analysed as:

	Unaudited June 30,2017 RMB'000	Audited December 31,2016 RMB'000
Analysed as:		
Current	383,953	18,757
Non-current	562,505	4,589
	946,458	23,346

At 30 June 2017, the future minimum lease receivables under finance leases were as follows:

Third parties:

	Minimum lease receivables June 30, 2017 RMB'000	Minimum lease receivables December 31, 2016 RMB'000
Finance lease receivables:		
Within one year	12,638	19,829
Later than one yearand not later than five years	2,256	4,821
	14,894	24,650
Less: Unearned finance income	892	1,304
Present value of minimum lease payment receivables	14,002	23,346

Related party:

	Minimum lease receivables June 30, 2017 RMB'000	Minimum lease receivables December 31, 2016 RMB'000
Finance lease receivables:		
Within one year	422,959	—
Later than one year and not later than five years	634,440	—
	1,057,399	—
Less: Unearned finance income	124,943	—
Present value of minimum lease payment receivables	932,456	—

On 24 January 2017, Shanghai Dingxin Financial Leasing Co., Ltd ("Dingxin Leasing"), a wholly-owned subsidiary of the Company, and All Trust Leasing Company Limited ("All Trust Leasing"), a wholly-owned subsidiary of CGA, entered into the Sale and Leaseback Framework Agreement. Pursuant to the Sale and Leaseback Framework Agreement, All Trust Leasing shall sell to Dingxin Leasing vehicles owned by All Trust Leasing, which shall then be leased back for use by All Trust Leasing. Upon expiry of the lease term, All Trust Leasing shall repurchase the leased assets in accordance with the agreed terms and with a consideration of a nominal amount of RMB100.

Balances of finance lease receivables from related parties are interest-bearing at annual interest rate of 9.975% with the terms of 2 - 3 years. The repayments will be made by installments on arrears on a monthly basis.

11. INVENTORIES

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Motor vehicles	**3,405,388**	2,692,247
Spare parts and accessories	**243,814**	243,274
	3,649,202	2,935,521

12. TRADE RECEIVABLES

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Trade receivables	**728,038**	650,830

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, 2017	Audited December 31, 2016
	RMB'000	*RMB'000*
Within 3 months	**672,772**	611,148
More than 3 months but less than 1 year	**55,266**	39,682
	728,038	650,830

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Unaudited As at 30 June 2017	
	Effective interest rate (%)	**Original maturity**	**RMB'000**
Current			
Bank borrowings			
- guaranteed	**4.7**	**2017-2018**	**116,498**
- secured	**4.8-7.5**	**2017-2018**	**334,562**
- secured	**6.6**	**On demand**	**29,000**
- unsecured	**3.9-7.0**	**2017-2018**	**2,232,012**
			2,712,072
Other borrowings			
- guaranteed	**7.8**	**2017-2018**	**7,084**
- secured	**4.0-9.2**	**2017-2018**	**253,113**
- unsecured	**4.0-8.5**	**2017-2018**	**162,006**
- secured and guaranteed	**4.7-8.0**	**2017-2018**	**153,208**
			575,411
			3,287,483
Non-current			
Bank borrowings			
- secured	**7.2**	**2024**	**31,290**
- unsecured	**5.0**	**2024**	**140,000**
- guaranteed	**Libor*+3.2**	**2020**	**4,951,020**
			5,122,310
			8,409,793

	Audited		
	As at 31 December 2016		
	Effective interest rate (%)	**Original maturity**	**RMB'000**
Current			
Bank borrowings			
- guaranteed	4.8	2017	19,997
- secured	4.8-9.0	2017	17,764
- secured	6.6	On demand	29,000
- secured	Libor*+2.25	2017	2,364,886
- unsecured	2.7-6.5	2017	1,890,812
- secured and guaranteed	5.0-7.1	2017	115,000
			4,437,459
Other borrowings			
- guaranteed	6.7	2017	7,627
- secured	5.2-8.6	2017	154,513
- unsecured	6.7	2017	60,645
- secured and guaranteed	6.7	2017	140,365
			363,150
			4,800,609
Non-current			
Bank borrowings			
- secured	Libor*+3.3	2018-2019	2,751,757
			7,552,366

* **London Inter-Bank Offered Rate**

14. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Trade payables	**448,749**	287,744
Bills payable	**3,351,857**	4,336,851
Trade and bill payables	**3,800,606**	4,624,595

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

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Within 3 months	**3,298,255**	4,185,164
3 to 6 months	**486,635**	426,994
6 to 12 months	**7,629**	2,804
Over 12 months	**8,087**	9,633
	3,800,606	4,624,595

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

15. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after June 30, 2017.

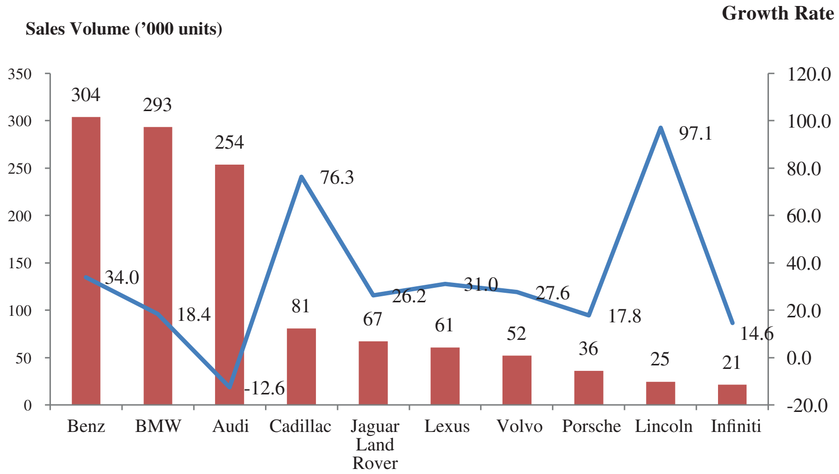
MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2017, China's economy grew steadily with GDP growth rate rising to 6.9%, up 0.2 percentage points as compared to the growth rate of the previous year and ranking top among the world's major economies. Meanwhile, consumption has become the main driver for economic growth, with final consumption expenditure contributing to 63.4% of economic growth in the first half of the year. After more than 10 years of rapid development, domestic automobile market has now entered into a new stage of steady growth. According to the statistics from the China Association of Automobile Manufacturers, the production and sales volume of automobiles recorded 13,525,800 units and 13,353,900 units in the first half of 2017, representing a year-on-year growth of 4.64% and 3.81%, respectively. The production and sales volume of passenger vehicles amounted to 11,482,700 units and 11,253,000 units, representing a year-on-year growth of 3.16% and 1.61%, respectively. The slowing-down growth in China's automobile market in the first half of 2017 was mainly attributable to a range of policy adjustments, including the halving of preferential policies on vehicle purchase tax.

Benefited from factors such as consumption upgrades and cycles of luxury car products, the growth rate of luxury automobile brands was higher than the industry average. As indicated by the statistics published by the State Information Center, the year-on-year growth of sales volume of luxury automobiles in the first half of 2017 was 18.3% (Note: representing the comparison of the aggregated sales volume of the top 10 luxury automobile brands, in the order of Benz, BMW, Audi, Cadillac, Jaguar & Land Rover, Lexus, Volvo, Porsche, Lincoln and Infiniti). Sales volume of the three leading German brands (i.e. Benz, BMW and Audi) contributed to 71.3% of the total sales volume of the top 10 luxury automobile brands.

Sales volume and year-on-year growth rate of top ten luxury automobile brands in China in the first half of 2017



Source: Automobile manufacturers

The three major brands distributed by the Group are BMW, Jaguar & Land Rover and Maserati. In the first half of the year, the growth rate in sales volume of BMW in China amounted to 18.4%, representing an increase of 11 percentage points as compared to the same period of last year. In June this year, BMW launched the new Series 5 sedan for a comprehensive upgrade in technology and control, which is expected to contribute to the growth in sales volume of BMW in the second half of the year. Growth rate in sales volume of Jaguar & Land Rover amounted to 26.2% in the first half of the year, mainly benefited from the growth in sales volume of the XFL and F-PACE models. In the second half of the year, Jaguar & Land Rover will introduce two new models, namely the new Velar and the domestically produced XE sports cars, which will further enrich the lineup of the brand's products. Benefited from the sales contribution of Levante, sales volume of brand Maserati recorded a year-on-year growth amounting to 110.4% in the first half year, ranking 11th in the sales volume of luxury brands in China.

In the first half of 2017, the automobile market in China began to enter into a stage of adjustment and reform, with intensive introduction of various policies that promoted the healthier development of the automotive industry. On 14 April, the Ministry of Commerce issued "The Measures for the Administration of Automobile Sales (汽車銷售管理辦法)" which formally came into force on 1 July 2017 to replace the "Implementation Measures for the Sales Management of Automobile Brands (汽車品牌銷售管理實施辦法)". The introduction of the said policy drove the resumption of rational relationships between manufacturers and distributors, and adjusted the relationship between responsibilities, rights and interests of entities in the market, which were more conducive to the creation of a market environment for fair competition. In addition, policies for new energies were frequently introduced, including the "Rules on the Production Admission Administration of New Energy Automobiles (新能源汽車生產企業及產品准入管理規定)", and the "Action Plan for Promoting the Development of the Automotive Battery Industry (促進汽車動力電池產業發展行動方案)" to effectively ease the pressure on energies and the environment, and to promote the sustainable development of the automotive industry. With the further expansion of the scale of passenger cars ownership in China and the continuous upgrade of consumption structure of consumers, the passenger car market in China will still have room for development. Meanwhile, the huge demand for after-sales services brought about by the growth in average age of automobile will also expand the size of after-sales market for automobiles.

BUSINESS OVERVIEW

In the first half of 2017, through integration with the CGA Group last year, the Company further optimised its operation and management capabilities within regions and 4S stores, and continued to deepen cooperation among business sectors, resulting in stable development of new automobile sales and after-sales services, substantial increase in business income of the automobile value-added business, and the overall enhancement of profitability and sustainable development of its stores.

Further advancement of internal integration

Optimising business model: through stable sales and after-sales business development of new automobiles, the Group continued to increase the contribution from value-added automotive business, forming mature business development models and distribution services systems for automobiles to allow for the sustainable development of the traditional business and extended business. In the first half of 2017, the proportion of gross profit contributed by commission from automobile value-added services amounted to 18.1%, representing a year-on-year growth of 3.7 percentage points.

Enhancing management standards: the Group further improved its management system and developed detailed assessment objectives for regions and 4S stores, with special focus on strengthened assessment for automobile value-added services. Through timely statistical analysis of operating data from the information management system, the Group conducted all-round comparison and analysis of financial and operation data of the Company's seven regions at monthly operational analysis meetings, as well as in-depth analysis of the status of key stores based on brands, and in this way other 4S stores in the Group learned from the successful business experience of those 4S stores with outstanding performance.

Information management system fully implemented: in the first half of 2017, the ERP management system has been fully functional in all regions and 4S stores after the trial operation stage. Such information management system enabled full integration, total control, real-time feedback and dynamic coordination of all stores in aspects such as sales management, inventory management, financial management and operation management, and provided solid basis for the management and decision-making at headquarters and regions in a timely manner, significantly enhancing management efficiency and maximising synergies.

Stable development of new automobile sales and after-sales services

In the first half of 2017, the Group upgraded its sales management system to further enhance the marketing and customer absorption capacity as well as sales completion capacity of 4S stores. During the sales process, targeted control was made on the whole process of sales of new automobiles at each store, including on indicators such as customer flow, retention rates, invitation-to-shop rates, test ride and test drive rates as well as turnover rates to improve the original sales process. Meanwhile, promotion of digital marketing platform was strengthened to carry out standardised management of potential customer resources online to promote effective enhancement of sales. In addition, the Company fully enhanced its new car price management model through resources integration to strengthen the ability to obtain manufacturers rebate, increase the penetration rate of whole car extended business, thereby stabilising and improving consolidated gross margin of new automobiles. As at 30 June 2017, the Group had sold a total of 45,591 new cars, representing a year-on-year increase of 56.6%, of which sales for luxury brand cars was 33,040, representing a year-on-year increase of 36.7%, and sales for cars of medium- to high-end brands amounted to 12,551, representing a year-on-year increase of 153.9%.

In respect of after-sales services, the Group continued to strengthen its internal control, integrate resources and streamline management, carried out innovative projects and introduced new products to enhance the overall scale of after-sales services. Meanwhile, the Company fully focused on and met different maintenance requirements and experience of customers for various models and age groups, and continued to carry out technical upgrade and innovation, develop products and services to meet customer needs, nurture and strengthen online and offline customer communication channels to increase customer retention rate. Through its stabilised repair and maintenance team, enhanced technological and service capabilities, normal conduction of market promotion and full leverage of brand support policies to attract customers back to the stores, with focus on soliciting vehicles of 3-5 years and more than 5 years to be back to the stores, the Group experienced continuous increase in unit admission in the first half of 2017. As at 30 June 2017, revenue from after-sales services of the Group reached 1,754.3 million, representing a year-on-year increase of 30.5%, and gross margin of after-sales services increased to 47.6%.

Improved profit contribution of extended business

In the first half of 2017, the Company conducted close and deep cooperation with the CGA Group in extended businesses such as insurance, second-hand vehicles and automobile finance. The business scale, internet resource and innovation capability of the CGA Group provided powerful support and protection to the Company. As at 30 June 2017, the commission income from the automobile value-added service reached RMB 296 million, representing a year-on-year increase of 83.6%.

Continuous growth of insurance business

The Group continued to improve the organisation structure and system of its insurance business department, improve the allocation of servicing staff and provide more professional services to customers. Meanwhile, we stepped up internal evaluation on first-time insurance, insurance renewal and extended insurance services to enhance the penetration rates of various businesses and increase the size of insurance premiums. During the first half of 2017, the commission income from the Group's automobile insurance business increased by 162.4% as compared to the same period in 2016, the ratio of first-time insurance of the Company increased by 2.6 percentage points as compared to the full year of 2016, and the average commission rate of return increased by 10 percentage points. The insurance renewal rate and commission rate of return on insurance renewals also increased to various degrees.

Solid progress made in pre-owned automobile business

Starting from the second half of 2016, the Group's pre-owned automobile business model began its transformation and upgrade. Its scope of business upgraded to all-round pre-owned automobile business in various automobile consumption segments surrounding the customers of 4S stores. The sources of automobiles were more diversified and expanded to include trade-in, direct purchase, consignment and test-drive automobiles; sales approach also changed into a combination of wholesale (auction) and retail. Meanwhile, the Company established a brand new performance evaluation system and management system for pre-owned automobiles, and upgraded the pre-owned automobile management system to complement the management of the pre-owned automobile business. Through the implementation of various measures, the capability and management of the pre-owned automobile business were enhanced continuously, including team building, new system, new business model, new performance system and management system. Hence, building on this foundation, the Company's pre-owned automobile business improved rapidly in the second half of the previous year, trading volume of pre-owned automobiles increased by 258% in the first half of 2017 on the year-on-year basis.

Stable development of automobile finance business

In 2016, domestic automobile finance and finance leasing market penetration rate was about 35%, and there was huge room for improvement as compared to the penetration rate of over 85% in North America. During the first half of 2017, leveraging on the experience and management of the CGA Group in automobile finance business, the Company developed its automobile finance business through the Group's stores. Through collaborated development of automobile loans and finance leasing business, the Company provided its customers with diversified financial instruments for purchase and use of automobiles, thus achieving a persistent increase in its financial penetration rate. During the first half of 2017, through streamlining and optimising staff in the store finance line, as well as introducing new training and evaluation mechanism to strengthen communication with automobile manufacturers in finance, the automobile finance penetration rate of the Company reached over 40%, representing an increase of 9 percentage points as compared to the first half of 2016.

In respect of finance leasing, since the consolidation last year, the business structure of Dingxin Leasing, a wholly-owned subsidiary of the Company, has been developing steadily. Dingxin Leasing focused on the provision of positive leasing products across stores, which set residual value at the end of leasing period, and undertook to provide packaged service products throughout the entire leasing period, including derivative services such as automobile insurance, extended insurance and basic maintenance services, providing one-stop financing services for the purchase and use of automobiles to customers, and creating financial products differentiated from banks and BMW financing to enhance automobile sales support and profitability at its stores. The size of interest-bearing leasing assets of Dingxin Leasing was expected to reach RMB1 billion in 2017.

Distribution network layout

In the first half of 2017, following its brand and regional strategies, the Group expanded its distribution networks into regions with great market potential. Apart from a new 4S store of BMW in Wuxi, the Company has newly acquired in March six 4S stores and a showroom, including two 4S stores of BMW, two 4S stores of Porsche, a showroom of Porsche and two 4S stores of Maserati. The acquisition was an important step for the Company to implement its strategy of nationwide full coverage of automobile brands. Through such layout expansion in developed areas in the middle and lower reaches of the Yangtze River, the Company further integrated with the acquired companies in aspects such as brand layout management, region management, business cooperation, salary and performance appraisal management and fund management. The new stores of Maserati have further expanded the Group's distribution network of the brand, making the Group the largest distributor of the brand in China. In the first half of the year, the Company newly became the agent for the brand Alfa Romeo. As at 30 June 2017, 7 stores have obtained the distribution rights of the brand.

Meanwhile, in the first half of the year, the Group closed 3 under-performing stores, including a Buick store, a Chevrolet store and a GMC store in Shanghai to improve its capital efficiency and overall profitability. As at 30 June 2017, the Group had 108 automobile dealership stores, including 86 stores for luxury brands, 17 stores for mid- to high-end brands, 2 independent repair centers and 3 decoration and damage assessment centers.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, our revenue was RMB15,671.0 million, representing a growth of approximately 44.1% compared to the same period in 2016. The increase was primarily due to an increase of RMB4,370.4 million, or 45.9%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2016.

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

	Unaudited For six months ended 30 June 2017		**Unaudited For six months ended 30 June 2016**	
Revenue Source	**Revenue**	**Contribution**	**Revenue**	**Contribution**
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Automobile sales	13,894,865	88.7	9,524,462	87.6
After-sales business	1,754,254	11.2	1,344,089	12.4
Finance lease income	21,876	0.1	2,850	0.0
Total	15,670,995	100.0	10,871,401	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 88.7% of our revenue for the six months ended 30 June 2017. Revenue generated from the sale of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 72.5% (six months ended 30 June 2016: 93.7%) and 27.5% (six months ended 30 June 2016: 6.3%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB4,370.4 million was mainly attributable to the increase in revenue generated from the sales of luxury and ultra-luxury cars.

Revenue from our after-sales business increased by 30.5% from RMB1,344.1 million for the six months ended 30 June 2016 to RMB1,754.3 million for the same period in 2017. The Group continues to focus on, and is strengthening the management of, its after-sales business. The increase in revenue from after-sales business was attributable to the Group's pro-active measures to increase our stores' after-sales capacity. For the mature stores, we have been adding repair and maintenance workshops, boosting utilisation rates, and optimising operation procedures in order to generate higher after-sales revenue. For the less mature stores, we achieved an increase in revenue by attracting more customers through implementing the membership system, encouraging return visits by customers, and launching promotion campaigns at our stores. This has attributed to the significant revenue growth from after-sales business. The relative contribution of our after-sales business to our revenue decreased from 12.4% for the six months ended 30 June 2016 to 11.2% for the same period in 2017.

Cost of sales and services

For the six months ended 30 June 2017, our cost of sales and services increased by 44.5%, from RMB9,914.6 million for the same period in 2016 to RMB14,327.0 million. This increase is consistent with the growth in our sales throughout the six months ended 30 June 2017.

The cost of sales and services attributable to our automobile sales business amounted to RMB13,407.1 million for the six months ended 30 June 2017, representing an increase of RMB4,219.0 million, or 45.9%, from the same period in 2016. The cost of sales attributable to our after-sales business amounted to RMB919.8 million for the six months ended 30 June 2017, representing an increase of RMB193.5 million, or 26.6%, from the same period in 2016.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2017 was RMB1,344.0 million, representing an increase of RMB387.1 million, or 40.5%, from the same period in 2016. Gross profit from automobile sales increased by 45.0% from RMB336.3 million for the six months ended 30 June 2016 to RMB487.8 million for the same period in 2017, of which RMB410.4 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 35.1% from RMB617.8 million for the six months ended 30 June 2016 to RMB834.5 million for the same period in 2017. Automobile sales and after-sales business contributed 36.3% and 62.1%, respectively, to the total gross profit for the six months ended 30 June 2017.

Gross profit margin for the six months ended 30 June 2017 was 8.6% compared to 8.8% of the same period last year, of which the gross profit margin of automobile sales was 3.5% compared to 3.5% of the same period last year, and after-sales business was 47.6% compared to 46.0% of the same period last year. The gross profit margin of automobile sales maintained stable during the period. As a result of strengthening the after-sales business management and optimising the operating procedures, gross profit margin of after-sales business increased by 1.6 percentage points compared to the same period last year.

Other income and net gains

Other income and net gains increased by 59.3% from RMB190.1 million from the six months ended 30 June 2016 to RMB302.8 million for the same period in 2017, mainly due to an increase in the service fee income and commission income from RMB161.4 million for the six months ended 30 June 2016 to RMB296.4 million for the same period of 2017. Our commission income increased because the Company (i) has carried out after-sale delicacy management and formulated a corresponding incentive policy, and (ii) strengthened cooperation with insurance companies.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2017 increased by 150.8% from RMB357.9 million in the same period last year to RMB897.6 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended 30 June 2017 increased by 499.7% from RMB66.8 million in the same period last year to RMB400.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

As at 30 June 2017, our cash and cash equivalents amounted to RMB2,735.6 million, representing a decrease of 26.5% from RMB3,721.3 million as at 31 December 2016.

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 30 June 2017, our net cash used in operating activities, net cash used in investing activities, and net cash used in financing activities were RMB526.7 million (six months ended 30 June 2016: our net cash generated from operating activities: RMB471.7 million), RMB1,428.6 million (six months ended 30 June 2016: RMB138.4 million), and RMB919.1 million (six months ended 30 June 2016: RMB1,351.9 million), respectively.

Net Current Assets

As at 30 June 2017, we had net current assets of RMB6,117.0 million, representing an increase of RMB1,185.6 million from RMB4,931.4 million as at 31 December 2016.

Capital Expenditure

Our capital expenditures primarily comprise of expenditures on property, plant and equipment, land use rights and intangible assets. During the six months ended 30 June 2017, our total capital expenditure was RMB414.3 million (six months ended 30 June 2016: RMB257.7 million).

Inventory

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

Our average inventory turnover days in the six months ended 30 June 2017 decreased to 41.4 days from 51.0 days as compared to the same period in 2016, primarily due to increase in inventory at the end of June 2016 and the stringent inventory control policies, strict inventory monitoring and appropriate marketing strategies adopted by the Company for the current period in accordance with market conditions.

Interest-bearing bank and other borrowings

As at 30 June 2017, the Group's available and unutilised banking facilities amounted to approximately RMB13,990.9 million (31 December 2016: RMB6,259.7 million).

Our interest-bearing bank and other borrowings as at 30 June 2017 were RMB8,409.8 million, representing an increase of RMB857.4 million from RMB7,552.4 million as at 31 December 2016. The increase was due to (i) our capital expenditures on stores in built; and (ii) increased working capital requirements due to our new stores and increased sales at our other stores.

Interest rate risk and foreign exchange rate risk

The Group takes measures to mitigate interest rate and exchange rate risks. Interest rate swap instruments are used to manage interest rate risks whereas foreign exchange forward transactions are used to manage forex risks.

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 30 June 2017 was 67.6% (31 December 2016: 71.2%).

Human resources

As at 30 June 2017, the Group has approximately 7,371 employees (31 December 2016: 6,907). Total staff costs for the six months ended 30 June 2017, excluding directors' remuneration were approximately RMB406.5 million (six months ended 30 June 2016: RMB338.3 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 the competitiveness of the Group.

Contingent liabilities

As at 30 June 2017 and 31 December 2016, the Group had no significant contingent liabilities.

Pledge of the Group's assets

The Group had pledged its assets, vehicle certificates for certain inventories as securities against interest-bearing bank and other borrowings and bills payable which were used to finance its daily business operation and acquisition. As at 30 June 2017, the pledged group assets amounted to approximately RMB1,411.4 million (31 December 2016: RMB2,169.5 million); pledged vehicle certificates for certain inventories as at 30 June 2017 amounted to approximately RMB2,877.1 million (31 December 2016: RMB2,337.8 million).

Changes since 31 December 2016

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 31 December 2016.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed, or sold any of the Company's listed securities during the six months ended 30 June 2017 and at and before the date of this announcement.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

Acquisition

On 27 March 2017, Suzhou Baoxin Automotive Distribution Services Co., Ltd.* (蘇州寶信汽車銷售服務有限公司), an indirect wholly-owned subsidiary of the Company (the "**Purchaser**"), entered into an acquisition agreement with Li Yuesheng (李躍勝), Li Zhirong (李志榮), Li Guoqin (李國琴), Wu Tingjie (吳挺捷), Whenzhou Kaiyuan Group Limited* (溫州開元集團有限公司), Whenzhou Zhenan Electromechanical Equipment Co., Ltd* (溫州浙南機電設備有限公司) and Wenzhou Senyuan Electrical Co., Ltd* (溫州市森源電器有限公司) (the "**Vendors**"), pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to buy the entire equity interest of the Vendors' six subsidiaries. Please refer to the announcement of the Company dated 27 March 2017 for further details.

Disposals

On 24 May 2017, the Company and Shanghai Jida Investments Management Co., Ltd.* (上海集達投資管理有限公司) ("**Shanghai Jida**"), a wholly-owned subsidiary of the Company, entered into the following disposal agreements:

(1) the disposal agreement between the Company and China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) ("**CGA HK**"), pursuant to which the Company has conditionally agreed to sell, and CGA HK has conditionally agreed to purchase, the entire equity interest of Baoxin Auto Finance I Limited;

(2) the disposal agreement between the Company and CGA HK, pursuant to which the Company has conditionally agreed to sell and CGA HK has conditionally agreed to purchase 25.55% equity interest of Dalian Baoxin Huiyu Automobile Investments Management Co., Ltd* (大連寶信匯譽汽車投資管理有限公司) ("**Dalian Huiyu**"); and

(3) the disposal agreement between Shanghai Jida and Shanghai Huiyong Automotive Distribution Co., Ltd.* (上海匯湧汽車銷售有限公司) ("**Shanghai Huiyong**"), pursuant to which Shanghai Jida has conditionally agreed to sell and Shanghai Huiyong has conditionally agreed to purchase 74.45% equity interest of Dalian Huiyu.

The disposals were completed on 30 June 2017. Please refer to the announcements and circular of the Company dated and 24 May 2017, 12 June 2017 and 30 June 2017 for further details.

Placing

On 6 June 2017, the Company, Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch (the "**Placing Agents**") entered into legally binding placing arrangements, pursuant to which each of the Placing Agents has conditionally agreed to act as agent for the Company to procure the placee to subscribe for, and failing which, to subscribe for itself, up to 280,000,000 new shares of the Company. The placing was successfully completed on 14 June 2017. The Company intended to use the net proceeds from the placing of new shares for expansion and development of the Group's business and general working capital purposes. For further details, please refer to the announcements of the Company dated 6 June 2017 and 14 June 2017.

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 30 June 2017.

OUTLOOK AND STRATEGY

According to the "Research Report on Operation Status and Investment Strategy of China's Automobile Market for 2017-2022 (2017-2022年中國汽車市場運行態勢及投資戰略研究報告)" published by Zhiyan Consulting, taking into account factors such as relatively low penetration rate of luxury brands in China as compared with developed countries, increased entry-level models of luxury brands and accelerated localisation, as well as people's strengthening purchase ability, luxury brand penetration in China is expected to exceed 15% in medium- to long-term. As a large domestic distributor of luxury and ultra-luxury brands, the Group will have huge development potentials and opportunities. The successive launch of new models of BMW and Jaguar & Land Rover and the rapid growth of Maserati will provide the space of rapid growth for all business segments of the Group.

Sales and after-sales maintenance services is the foothold for the Group's future development. Sales of new cars is the main channel of access to customer acquisition, and after-sales maintenance service is an important channel to retain customers and improve profitability. This is not only an important source of the Company's core competitiveness, but also an important cornerstone for the Company to develop its strategic emerging businesses. The Group will improve renovation to enhance service quality and efficiency, tap the potential of existing resources and enhance quality and efficiency. We will enhance customer service experience and strengthen customer viscosity through the provision of differentiated services and three-dimensional customer relationship management.

Meanwhile, the Group will grasp the development trend of the post-automobile service industry, explore and expand on new investment areas, extend the industrial chain and build the ecosystem for the whole industry chain of automotive services. In the future, based on traditional business such as sales and maintenance of new cars, the Company will vigorously develop insurance, extended insurance, second-hand vehicles, automobile finance and other formats of business to enhance its profitability.

The Company will continue to strengthen its 4S stores second-hand vehicle business, vigorously develop endogenous second-hand vehicle sources for 4S stores, and carry out business of second-hand vehicles with manufacturer brand certification in 4S stores. On the other hand, in the provinces where the stores are located, the Company will gradually construct and develop specialised offline second-hand vehicles service centers which process assessment and testing, preparation, value-added services, auction, retail and trading services capabilities to support and complement with 4S stores for second-hand vehicles, so as to expand external car sources and carry out professional sales and services. Successive layout has been made in Shanghai, Ningbo and other places in the first half of the year. The Group will leverage its geographical distribution advantages and brand advantages to carry out more extensive cooperation with e-commerce operators, which coupled with the domestic leading second-hand vehicle management system, will fully support the business segments and assessment test operation, providing strong support for the expansion of scale of the second-hand vehicle business.

In respect of automotive finance market, automotive finance, as the most valuable and dynamic segment in the automotive industry, is becoming the focus of market attention. With regards to the development pace, the growth rate of China's automotive finance is relatively fast despite the relatively low overall penetration rate. From 2001 to 2015, the overall size of the domestic automotive finance market increased by nearly 20 times to RMB900 billion from RMB43.6 billion, representing a CVGR of more than 80%. As the post-80/90 generations have gradually become the major consumption force, their more open concept of consumption will provide stronger driving force for the development of automotive finance. The Group will leverage the mature risk control system and product platform of the CGA Group to rapidly enhance the penetration rate and business scale of the automotive finance in the short term, and to increase the contribution to the Group's profit derived from the automobile finance segment.

Based on the general strategic plan of the Company and with the ERP platform as the core in the future, we will further reinforce the construction of the ERP system as the internal core system, strengthen office platform construction, realize the collaborative platform construction of internal and holding companies, support the utilization of external mature systems for new businesses while achieving the ongoing fusion and integration of emerging and fast-growing businesses. Through improving efficiency and leveraging synergies, we will consolidate the Group's advantages. In the future, the Group will realize data integration and analysis in respect of the core operation data and financial data of the 4S stores, and will use data analysis methods and techniques to conduct forecasts and analyses of business, capital and profitability, thereby enhancing business robustness and management control.

We will continue to improve and implement prudent business strategies, make timely adjustments to the development direction by focusing on our long-term interests, adapt to the latest trend and grasp opportunities in the market. In terms of the operations of new automobile sales and after-sales services, we will continue to strengthen strategic partnership with automobile manufacturers, integrate customer resources, and identify the service value of the entire life cycle of our customers. We will transform the loyalty of customers towards automobile brands into loyalty towards the service brands of automobile distributors, thereby increasing customer viscosity and the customer retention rate. In the meantime, we will capitalize on the well-established networks and platforms of the CGA Group to vigorously promote automobile value-added services. Under a volatile market environment, we will continue to strictly control the level of inventory and costs of operation and management to achieve the purposes of increasing income and decreasing expenditure as well as cutting costs and improving efficiency.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

In the opinion of the Directors, throughout the six months ended 30 June 2017, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1 and A.4.1.

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. Li Jianping is responsible for the operation and management of the Board and no chief executive office is appointed. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development.

Under code provision A.4.1, the non-executive Directors should be appointed for a specific term and subject to re-election. Mr. Lu Linkui, who was appointed as a non-executive Director with effect from 31 March 2014, did not enter into any service contract with the Company and does not have a specific term of appointment. However, Mr. Lu Linkui is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Lu Linkui retired and was re-elected as a non-executive Director at the annual general meeting of the Company held on 28 June 2017. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2017.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

AUDIT COMMITTEE REVIEW

Pursuant to the requirement of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising of Mr. Diao Jianshen (chairman), Mr. Wang Keyi and Mr. Chan Wan Tsun Adrian Alan, all of whom are the Company's independent non-executive Directors.

The Audit Committee has considered and reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 and are of the view that the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.klbaoxin.com). The interim report of the Company for the six months ended 30 June 2017 will be despatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Grand Baoxin Auto Group Limited
Mr. Li Jianping
Chairman

Shanghai, the People's Republic of China, 25 August 2017

As at the date of this announcement, the executive Directors are Mr. LI Jianping, Mr. WANG Xinming, Mr. LU Ao and Mr. QI Junjie, the non-executive Directors are Mr. ZHOU Yu and Mr. LU Linkui, and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.