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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of Grand Baoxin Auto Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the year ended 31 December 2017, as well as comparative figures for the corresponding period in 2016.

FINANCIAL HIGHLIGHTS
For the year ended 31 December 2017:

- Total revenue was RMB34,136.2 million, in which the automobile sales was RMB30,332.3 million, and the after-sales revenue was RMB3,741.8 million.
- Gross profit was RMB2,908.3 million and the gross profit margin was 8.5%.
- Profit attributable to owners of the parent was RMB803.7 million, representing an increase of 94.0% as compared to that for the year ended 31 December 2016.
- Earnings per share attributable to ordinary equity holders of the parent were RMB0.30.
- Proposing the payment of a final dividend of HK$0.1 (approximately RMB 0.08 per share) per ordinary share for the year 2017 . The proposal is subject to the consideration and approval of the shareholders at the forthcoming annual general meeting of the Company.

GRAND BAOXIN AUTO GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000 (Restated)
REVENUE	3	**34,136,170**	25,708,800
Cost of sales and services provided	4	**(31,227,868)**	(23,675,264)
Gross profit		**2,908,302**	2,033,536
Other income and gains, net	3	**598,945**	524,034
Selling and distribution expenses		**(1,078,665)**	(878,775)
Administrative expenses		**(549,047)**	(608,355)
Profit from operations		**1,879,535**	1,070,440
Finance costs	5	**(724,353)**	(486,616)
Share of profits and losses of:			
A joint venture		**542**	5,795
Associates		**4,919**	(137)
Profit before tax	4	**1,160,643**	589,482
Income tax expense	6	**(358,542)**	(172,583)
Profit for the year		**802,101**	416,899
Incl: Net profit/(loss) of the party being absorbed before business combinations involving an entity under common control		**2,156**	(2,963)
Attributable to:			
Owners of the parent		**803,688**	414,226
Non-controlling interests		**(1,587)**	2,673
		802,101	416,899
Earnings per share attributable to ordinary equity holders of the parent	7		
Basic and diluted			
— For profit for the year (RMB)		**0.30**	0.16

GRAND BAOXIN AUTO GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	**2016**
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**802,101**	416,899
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**191,865**	(332,406)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**191,865**	(332,406)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**191,865**	(332,406)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**993,966**	84,493
Attributable to:		
Owners of the parent	**995,553**	81,820
Non-controlling interests	**(1,587)**	2,673
	993,966	84,493

GRAND BAOXIN AUTO GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,961,200**	3,750,398
Prepaid land lease payment		**489,796**	498,706
Intangible assets		**1,140,544**	989,736
Prepayments and deposits		**260,150**	258,534
Finance lease receivables		**148,418**	4,589
Goodwill		**892,798**	224,786
Derivative financial instruments		**6,573**	1,421
Investment in a joint venture		**57,183**	56,641
Investments in associates		**43,542**	38,623
Available-for-sale investment		**16,584**	17,747
Deferred tax assets		**87,595**	121,858
Total non-current assets		**7,104,383**	5,963,039
CURRENT ASSETS			
Inventories	8	**4,017,188**	2,935,811
Trade receivables	9	**501,001**	652,469
Finance lease receivables		**139,179**	18,757
Prepayments, deposits and other receivables		**7,419,471**	6,119,992
Amounts due from related parties		**46,340**	103,802
Equity investments at fair value through profit or loss		**—**	12,050
Derivative financial instruments		**—**	24,424
Pledged bank deposits		**3,002,078**	2,142,862
Cash in transit		**35,876**	108,602
Cash and bank		**3,175,133**	3,721,744
Total current assets		**18,336,266**	15,840,513

	Notes	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**3,249,187**	4,800,609
Trade and bills payables	10	**6,178,908**	4,624,673
Other payables and accruals		**1,342,194**	1,203,265
Derivative financial instruments		**19,786**	—
Amounts due to related parties		**55,265**	11,872
Income tax payable		**423,812**	277,260
Total current liabilities		**11,269,152**	10,917,679
NET CURRENT ASSETS		**7,067,114**	4,922,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,171,497**	10,885,873
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**5,701,590**	2,751,757
Derivative financial instruments		**13,739**	—
Senior perpetual capital securities		**—**	2,708,415
Other payables		**33,022**	25,510
Deferred tax liabilities		**404,815**	357,871
Amounts due to related parties		**1,158,819**	—
Total non-current liabilities		**7,311,985**	5,843,553
Net assets		**6,859,512**	5,042,320
EQUITY			
Equity attributable to owners of the parent			
Share capital		**23,275**	20,836
Reserves		**6,796,875**	4,981,753
		6,820,150	5,002,589
Non-controlling interests		**39,362**	39,731
Total equity		**6,859,512**	5,042,320

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Grand Baoxin Auto Group Limited (the "Company") was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 December 2011. On 21 June 2016, China Grand Automotive Services Co. Limited ("CGA") officially complete the pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company.

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

In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is CGA, the shares of which are listed on the Shanghai Stock Exchange.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

3. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

	2017	**2016**
	RMB'000	*RMB'000*
		(Restated)
Revenue from the sale of motor vehicles	**30,332,292**	22,866,070
Revenue from after-sales services	**3,741,822**	2,838,364
Finance leasing services	**62,056**	4,366
	34,136,170	25,708,800

(b) Other income and gains, net:

	2017	**2016**
	RMB'000	*RMB'000*
		(Restated)
Commission income	**599,606**	380,165
Advertisement support received from motor vehicle manufacturers	**9,717**	4,379
Rental income	**4,001**	3,076
Government grants	**8,654**	20,693
Interest income	**41,347**	20,828
Net loss on disposal of items of property, plant and equipment	**(20,027)**	(3,525)
Net gain on disposal of items of intangible assets	**—**	488
Fair value (loss)/gain, net:		
Derivative instruments	**(204,242)**	29,203
Equity investments at fair value through profit or loss	**(891)**	(12,904)
Net gain on disposal of a held-for-sale asset	**—**	16,098
Net (loss)/gain on disposal of subsidiaries	**(15,093)**	51,174
Foreign exchange difference, net	**162,671**	—
Others	**13,202**	14,359
Total	**598,945**	524,034

4. PROFIT BEFORE TAX

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

	2017	**2016**
	RMB'000	*RMB'000*
		(Restated)
(a) Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	**829,640**	481,563
Other welfare	**233,253**	172,089
	1,062,893	653,652

(b) Cost of sales and services:

	2017	**2016**
	RMB'000	*RMB'000*
		(Restated)
Cost of sales of motor vehicles	**29,281,046**	22,138,915
Others	**1,946,822**	1,536,349
	31,227,868	23,675,264

(c) Other items:

	2017	**2016**
	RMB'000	*RMB'000*
		(Restated)
Depreciation of items of property, plant and equipment	**359,945**	330,112
Amortisation of prepaid land lease payment	**13,928**	10,236
Amortisation of intangible assets	**50,854**	38,998
Advertisement and business promotion expenses	**235,063**	113,184
Auditor's remuneration	**6,000**	6,800
Bank charges	**32,756**	49,608
Foreign exchange differences, net	**(162,671)**	20,822
Lease expenses	**196,095**	208,110
Logistics and petroleum expenses	**58,325**	44,853
Office expenses	**25,299**	27,389
(Reversal)/write-down of inventories to net realisable value	**(112,015)**	78,566
Net loss on disposal of items of property, plant and equipment	**20,027**	3,525
Net gain on disposal of items of intangible assets	**—**	(488)
Fair value loss/(gain), net:		
Derivative instruments	**204,242**	(29,203)
Equity investments at fair value through profit or loss	**891**	12,904
Net gain on disposal of a held-for-sale asset	**—**	(16,098)
Net loss/(gain) on disposal of subsidiaries	**15,093**	(51,174)
Impairment of goodwill	**—**	25,051
Dividend income from an available-for-sales investment	**(5,443)**	(1,442)
Interest income	**(41,347)**	(20,828)

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Interest on bank loans and other loans	**592,909**	470,945
Interest expense on bonds	**—**	20,688
Interest expense on the senior perpetual capital securities	**131,444**	9,852
Total interest expense on financial liabilities not at fair value through profit or loss	**724,353**	501,485
Less: Interest capitalised	**—**	(14,869)
	724,353	486,616

6. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Current:		
Mainland China corporate income tax	**304,695**	213,881
Deferred tax	**53,847**	(41,298)
Total tax charge for the year	**358,542**	172,583

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, income, gain or appreciation shall apply to the Company or its operations.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do 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 income tax at the rate of 16.5% (2016: 16.5%) during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year.

According to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"), the income tax rate is 25%.(2016: 25%). According to the CIT Law and the Taxation Policies on In-depth Implementation of Western Region Development Strategy, Urumqi Yandebao Auto Sales & Services Co., Ltd. ("Urumqi Yandebao"), Urumqi Yanbao Auto Sales & Services Co., Ltd. and Urumqi Yanjun Auto Sales & Services Co., Ltd have been approved by the authority to pay income tax at the reduced tax rate of 15%.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,710,736,087 (2016: 2,557,311,429) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year 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 year, 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 for the years ended 31 December 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 2017 and 2016.

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

	2017	**2016**
Earnings	***RMB'000***	*RMB'000*
		(Restated)
Profit attributable to ordinary equity holders of the parent	**803,688**	414,226
Shares	**2017**	2016
Weighted average number of ordinary shares in issue during the year	**2,710,736,087**	2,557,311,429
Earnings per share	**2017**	**2016**
	RMB	*RMB*
		(Restated)
Basic and diluted	**0.30**	0.16

8. INVENTORIES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Motor vehicles	**3,806,846**	2,804,262
Spare parts and accessories	**210,342**	243,564
	4,017,188	3,047,826
Less: provision for inventories	**—**	(112,015)
	4,017,188	2,935,811

As at 31 December 2017, vehicle certificates ("車輛合格證") for certain of the Group's inventories with an aggregate carrying amount of RMB395,293,000 (2016: RMB188,393,000) were pledged as security for the Group's interest-bearing bank and other borrowings.

As at 31 December 2017, vehicle certificates for certain of the Group's inventories with an aggregate carrying amount of RMB2,239,057,000 (2016: RMB2,149,384,000) were pledged as security for the Group's bills payable.

During the year ended 31 December 2017, no provision was recognised or reversed.

As at 31 December 2016, the carrying amount of inventories with provision carried at net realisable value was RMB919,355,000.

9. TRADE RECEIVABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Trade receivables	**501,001**	652,469

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise 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 ageing analysis of the trade receivables as at each reporting date (based on the invoice date, net of impairment) is as follows:

	31 December 2017	**31 December 2016**
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**452,747**	611,148
More than 3 months but less than 1 year	**48,254**	41,321
	501,001	652,469

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

	31 December 2017	**31 December 2016**
	RMB'000	*RMB'000*
		(Restated)
Neither past due nor impaired	**501,001**	652,469
Over 1 year past due	**—**	—
	501,001	652,469

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.

10. TRADE AND BILLS PAYABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Trade payables	**439,785**	287,822
Bills payable	**5,739,123**	4,336,851
Trade and bills payables	**6,178,908**	4,624,673

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000* *(Restated)*
Within 3 months	**5,912,378**	4,185,242
3 to 6 months	**254,163**	426,994
6 to 12 months	**1,260**	2,804
Over 12 months	**11,107**	9,633
	6,178,908	4,624,673

The trade and bills payables are non-interest-bearing. The trade payables are normally settled on 60-day terms.

11. DIVIDENDS

	2017 *RMB'000*	2016 *RMB'000*
Proposed final — HK$0.1 (2016: Nil) (Approximately RMB0.08) per ordinary share	**228,747**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. COMPARATIVE FIGURES

On 22 September 2017, the Group obtained 100% equity interests in Urumqi Yandebao from CGA. Since Urumqi Yandebao and the Group are subsidiaries of CGA, the acquisition was a business combination under common control. The comparative information which includes the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, and notes to the consolidated financial statements for the comparative period are re-presented as if Urumqi Yandebao had been combined at the beginning of the comparative period.

INDUSTRY OVERVIEW

In 2017, as a result of a reduction in the preferential rate of purchase tax and the impact of high sales volume of automobiles in 2016, the growth of automobile sales in China has slowed down, but the trend of economic operations of the whole industry remained positive. According to the statistics from the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles in the PRC in 2017 were 24,807,000 units and 24,718,000 units respectively, representing a year-on-year increase of 1.6% and 1.4% respectively.

Having experienced rapid growth in the past few years, the automobile industry is going through comprehensive transformation and is gradually transiting from a sales growth market to an ownership growth market. With upgrades in consumption, the consumption habit and experience of consumers gradually mature, and the automobile market in China has also shown attributes of an international mature market, which have brought opportunities as well as challenges to the automobile dealing industry.

In 2017, the growth in the market of mainstream luxury automobile brands in China was in clear contrast with that of the overall passenger vehicle market, and maintained a remarkable year-on-year growth of over 17%. The penetration rate of luxury automobiles in passenger vehicles also gradually increased from 6.8% in 2011 to 10.1% in 2017. According to the statistics from the China Association of Automobile Manufacturers, the end-user retail sales volume of dealers of the top 12 luxury automobile brands [*(Note)*] was approximately 2.57 million units, representing a year-on-year increase of 18.4%, of which three luxury brands, namely Audi, Benz and BMW, accounted for approximately 66.6% of new automobile retail sales. In 2017, the sales volume of Audi in China was 598,000 units, representing a year-on-year increase of 1.1%, reaching a historically high level. In 2017, the sales volumes of BMW and Benz were 594,000 units and 588,000 units, respectively, ranking the second and third highest among the top 12 luxury automobile brands. The remaining market was shared by Jaguar & Land Rover, Cadillac, Lexus, amongst others.

The Group expects that under the driving force of factors such as increase in automobile consumption and the number of people wanting to change their automobiles, the rise in the consumer purchasing power of the younger generation, and the growing popularity of entry-level luxury automobiles, the luxury automobile market will be able to maintain rapid growth in the next few years and the brand structure will reach an equilibrium.

Automobile post-sales business is the future of the ownership market in China

According to the statistics from the Traffic Management Bureau of the Public Security Ministry, in 2017, the automobile ownership volume in China was 217 million units, representing a year-on-year increase of 11.85%. More than 40% of privately-owned automobiles have started to enter or have entered warranty period. With the increasing age of automobiles, the size of the automobile post-sales market will expand constantly and rapidly. Moreover, in transiting from a sales growth market to an ownership market, the sales volume of new automobiles will slow down gradually, the gross profit of new automobiles will be diluted, and the higher gross profit margin of the post-sales market will attract dealers to move the focus of their business backwards. On the basis of automobile maintenance and repairs, and with the help of other automobile services, such as insurance, secondhand automobile trading and leasing, the size of the automobile post-sales market will be over RMB1 trillion.

Rapid growth in the secondhand automobile market

In 2017, the secondhand automobile market developed a different pattern from the new automobile market, and maintained a double-digit growth rate, much higher than that of the new automobile market. According to the data released by the China Automobile Dealers Association, in 2017, the total number of secondhand automobiles traded in China was 12,400,900 units, representing a year-on-year increase of 19.33%, and the total transaction amount was RMB809.272 billion, representing a year-on-year increase of 34%.

With the gradual implementation of the supportive measures in respect of the dealing environment, transaction registration, taxation policy and financial support for the secondhand automobile market under the "Eight Measures of the State" (國八條), the rules and standards of the secondhand automobile industry gradually improved, and it is expected that the secondhand automobile industry will enter a long-term rapid development stage. Meanwhile, accompanied by the continuous growth in automobile ownership volume and the market average automobile age, the percentage of upgrading purchase and additional purchase in automobile sales will exceed 50%, and secondhand automobiles from dealers will become the most significant force in the secondhand automobile industry.

Automobile finance: a necessary segment to achieve quality service

In November 2017, the People's Bank of China and the China Banking Regulatory Commission released the newly revised Measures for the Administration of Automobile Loans (汽車貸款管理辦法) and the Notice on Adjustment to the Relevant Policies of Automobile Loans (關於調整汽車貸款有關政策的通知) to adjust the structure of the economy, release more diversified consumption potential, enhance the quality and efficiency of supply in the automobile consumer credit market, and strengthen further risk management and control.

As a key component of the automobile post-sales market and driven by the twin engines of policy and market rules, automobile finance will benefit significantly and have enormous development potential in the future. For market participants such as automobile finance companies and finance leasing companies, accelerating the development of their business layout will enable them to seize the first opportunities arising in the fast growing market.

(*Note: The Top 12 luxury automobile brands are Audi, BMW, Benz, Cadillac, Jaguar & Land Rover, Lexus, Volvo, Porsche, Lincoln, Infiniti, Maserati and Acura.)*

BUSINESS OVERVIEW

The Group is pleased to announce that the financial results for the year ended 31 December 2017 has achieved satisfactory growth. Facing the challenge of slower growth in the sales of new automobiles, the Group accurately captured the development of the automobile market, leveraged on the strengths of its collaboration with the China Grand Automotive Group (the "**CGA Group**"), adhered to the management concepts of "refined management" and "innovative implementation", and further improved its three-tier structure management model of "headquarter — regional platform — 4S stores", strongly supporting the business development of the Group.

During the reporting period, the Group established a comprehensive industrial chain of "new automobile — finance — insurance — post-sales — secondhand automobiles" by way of self-construction, acquisition and investment. As a result, the profitability of the Group was further enhanced, and secondhand automobiles and automobile finance would be the focus of the Group in its development of the comprehensive industrial chain.

For the year ended 31 December 2017, we recorded operational revenue of approximately RMB34,136.2 million, representing a year-on-year increase of 32.8%, gross profit of RMB2,908.3 million, representing an increase of 43.0%, profit attributable to equity holders of RMB803.7 million, representing an increase of 94.0%, and earnings per share of RMB0.30.

New automobile sales

During the reporting period, the growth in the sales of passenger vehicles slowed down under the effects of a 50% reduction in the preferential treatment of purchase tax and the decrease in demand in 2016. However, with the growth of the national economy and upgrade in consumption, the sales of luxury automobiles, being a segment of the overall automobile industry, recorded a sales volume much higher than the average level of the overall automobile industry, and the penetration rate continued to increase.

During the reporting period, the Group timely adjusted its sales strategies and measures through making use of sales policies adopted by manufacturers, promoting regional management and conducting data analysis and consolidation using the SAP system, exercised effective pricing management on key automobile models, continued to promote the sharing of regional resources, optimized its mix of inventories, enhanced its integrated sales capabilities, ensured the stable growth of new automobile sales through engaging the customer base and controlled inventories effectively.

As at 31 December 2017, the Group's total sales volume of new automobiles was 103,643 units, representing a year-on-year increase of 43.2%. Sales revenue from new automobiles amounted to RMB30,332.3 million, representing a year-on-year increase of 32.7%, of which the sales volume of luxury and ultra-luxury automobiles was 73,205 units, representing a year-on-year increase of 16,825 units. The Group's sales revenue of luxury and ultra-luxury automobiles was RMB26,673.5 million, representing a year-on-year increase of 28.1%, accounting for 87.9% of the sales revenue from new automobiles. Gross profit margin of the sales of new automobiles was 3.5%.

After-sales service

With the promulgation of the Anti-Monopoly Guidance for the Automobile Industry (Consultation Paper) (關於汽車業的反壟斷指南(徵求意見稿)) and the Measures for the Administration of Automobile Sales (汽車銷售管理辦法) by the Ministry of Commerce and the National Development and Reform Commission in 2017, which were aimed to change the maintenance system of "one dealer for a whole automobile manufacturer", a market-oriented system for maintenance and sales of components has been further introduced. Therefore, the "similar nature components" model in the industry has been implemeted, and the price of components and time cost in some 4S stores have decreased, causing impact on the after-sales maintenance business of 4S stores. However, automobile owners of luxury and ultra-luxury brands focus more on the good quality and experience of after-sales service.

During the reporting period, with the aim of reducing the cost of components and maintaining a stable gross profit margin, the Group coordinated its regional networks to enhance the sharing of resources in its after-sales business through centralized procurement and allocation for regional components. On one hand, services with reasonable price will continue to be provided to customers. On the other hand, by enhancing the good experience of customers in after-sales service and through continuous development of service products and items suitable for customers, we aim to enhance customer loyalty. Meanwhile, the Group and the CGA Group jointly launched the e-commerce platform "Hui Yang Che"(匯養車) APP for after-sales services. Through a comprehensive maintenance record, and providing business and customer interest enquiry functions, the Group provides online booking, purchases and comments for maintenance service and other various value-added services. Through providing online customer service, expert question and answer session, and service evaluation, both the online and offline servicing capabilities of the Group have been enhanced.

During the reporting period, the revenue from the Group's after-sales service was RMB3,741.8 million, representing a year-on-year increase of 31.8%, accounting for 11.0% of the total revenue of the Group. The gross profit of after-sales service was RMB1,795.2 million, representing a year-on-year increase of 37.7%, and the gross profit margin of after-sales service was 48.0%, representing an increase of 2.1 percentage points when compared with the corresponding period of the preceding year.

Significant results in the development of derivative business

During the reporting period, the Group proactively expanded its automobile derivative business by continuously improving the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative business. As at 31 December 2017, the revenue from the Group's automobile derivative business was RMB599.6 million, representing a year-on-year increase of 57.7%.

- ***Automobile finance business***

  Automobile finance has become the most trendy sub-segment the new financial segment, and is also a significant source of profit for all automobile manufacturers, dealers and even the whole automobile retail industry. According to forecast by Deloitte, the size of the automobile finance market in China may reach RMB2 trillion by 2020, and the penetration rate will increase to 50%. The

Measures for the Administration of Automobile Sales (汽車銷售管理辦法) promulgated on 1 July 2017 have been changing the landscape of the automobile dealing industry, and consequently, the cooperation between traditional finance and new finance models for win-win results will become the new norm.

The major core competitiveness of the automobile finance industry is the ability to control risk. During the reporting period, the Group leveraged on the financial risk control platform built by the CGA Group to conduct more effective pre-lending risk review, risk alert in the lending process and post-lending risk control to enhance the asset quality of automobile loans, which has greatly improved the approval efficiency, optimized and enriched the Group's automobile products.

During the reporting period, all stores of the Group and Shanghai Dingxin Financial Leasing Co., Ltd (上海鼎信融資租賃有限公司), a subsidiary of the Group, continued to focus on customer experience and successively launched several innovative financial products. Regional finance cooperation channels were coordinated to ensure the smooth development of multi-channel financial products in all regions.

During the reporting period, the Group recorded revenue of RMB213.3 million from its financial service business, which increased by 130.1% as compared to RMB92.7 million in 2016. The Group cooperated with various financial institutions securing strong and solid resources and support. The penetration rate of the automobile financial business increased from 32.9% in 2016 to 48.7% during the reporting period.

- ***Secondhand automobile business***

As the secondhand automobile market in China gradually becomes mature, consumer demand for pre-owned automobiles will increase gradually. Dealers with stable sources of automobiles, good after-sales protection and strong evaluation capability will be the direct beneficiaries in the secondhand automobile market.

During the reporting period, the Group has been improving the operation system for its secondhand automobile business, and has been striving to introduce an auction platform for secondhand automobiles to accelerate the building of a secondhand automobile network. Meanwhile, the official certification business for secondhand automobiles of luxury brands distributed by the Group has also been actively developed. The existing customer base has been expanding constantly as a result of the Group's efforts in promoting the exchange of secondhand automobiles with new automobiles and enhancing the quality of after-sales service, with a view to increase the exchange ratio of secondhand automobiles among existing customers for upgrading or generation change. In addition, by enhancing the combined management capabilities in the pricing and residual value of secondhand automobiles, the Group will expand its channels for sourceing secondhand automobiles.

In accordance with the trend of industrial development, the Group also attempts to adopt B2B and B2C models to further strengthen the existing online and offline link of secondhand automobiles. At the same time, by connecting with third-party internet platform companies, the Group ensured that price assessment and consultation service can be provided to end-user customers, and assessment, exchange and retail business for secondhand automobiles may also be conducted through the existing offline 4S stores.

During the reporting period, the Group's transaction volume of secondhand automobiles was 28,005 units, representing an increase of 186.1%. The penetration rate of secondhand automobiles was 27.0%, representing an increase of 13.5 percentage points as compared with the corresponding period of the preceding year. The trade in ratio of secondhand automobiles was 17.4%, representing an increase of 6.4 percentage points as compared with the corresponding period of the preceding year.

- ***Insurance business***

During the reporting period, the Group re-organised its insurance cooperation resources. In addition to maintaining good collaborative relationships with the three existing major insurance company partners, the Group further enhanced the monitoring and control over its insurance resources, adopted a cooperative model of "headquarter to headquarter among groups; branch to branch for regions", opened up the insurance front-end and back-end value chain, and frequently introduced self-developed products with extended warranty for automobiles (extended warranty) from which customers may choose. In the meantime, through adopting a portfolio marketing approach combined with a full reform on insurance rate and an active attempt to provide maintenance services for glass and painted layer, the Group has not only earned profits but also raised its insurance penetration rate, thus further retained its customers.

During the reporting period, the Group's revenue from its insurance business was RMB235.5 million, representing an increase of 21.6% as compared to RMB193.7 million in 2016. During the reporting period, the Group's revenue from extended warranty business increased by 265.5%.

Continuous optimization of network layout

As a leading domestic dealer of luxury automobiles, the Group's business is mainly concentrated in the coastal regions of eastern China, and is at the same time expanding into northern China, central China, southern China and northeast and northwest regions, covering most of the luxury and ultra-luxury markets in China. High density dealing networks are being constantly built to enhance operational efficiency and service capabilities.

During the reporting period, based on its brand and regional strategies, the Group has acquired six 4S stores including Porsche, BMW and Maserati and one showroom in Zhejiang Province during the first half of the year, and acquired from the CGA Group one BMW store in Xinjiang Uygur Autonomous Region in the latter half of the year. Meanwhile, the Group adjusted four underperforming dealing stores to increase its capital operation efficiency. Moreover, the Group has also upgraded some Audi and BMW stores, and built a secondhand automobile showroom to promote its secondhand automobile business.

As at 31 December 2017, the Group owned a total of 108 automobile dealing stores, including 86 luxury and ultra-luxury brand dealing stores, 17 mid-to-high brand dealing stores and 5 independent after-sales service (maintenance and decoration and loss assessment center) stores. During the reporting period, the Group's portfolio of automobile brands included 11 luxury and ultra-luxury brands, namely, BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Infiniti, Alfa Romeo, Porsche, Rolls Royce, Maserati and Ferrari.

Meanwhile, in view of the intensified trend of mergers and acquisitions among dealer groups, and in order to strengthen the strategic layout in key areas, the Group acquired one Jaguar & Land Rover 4S store from the CGA Group in January 2018, and acquired three BMW 4S stores and one BMW secondhand automobile 4S store in March 2018, which will facilitate a more reasonable landscape for its brand.

For details about the Acquisition, please refer to the announcements of the Company dated 5 January 2018 and 25 March 2018.

FUTURE OUTLOOK

In 2017, upgrading of automobile consumption in China not only led to a bountiful harvest in the luxury automobile market, but also had significant changes and effects on the luxury automobile market. In the new round of competition, as young people gradually become a major driving force in automobile consumption, their liberal views on consumption, on the concept of lifestyle and their attitude to automobile consumption will reshape the way of living while affecting the landscape of the automobile post-consumption market in China represented by the automobile financial sector, enabling the rise of an emerging business model at an unprecedented pace. Only luxury brands that can capture the consumption of the younger generation will be able to gain market recognition and achieve persistent growth in the automobile market of China.

The Group will rely on its advantageous strategic layout as ever to continue to expand dealing stores of luxury brands, mainly represented by BMW and Jaguar & Land Rover, while leveraging the advanced management concepts and systems of the CGA Group. With timely seizing of the opportunities arising from the release and sales growth of various luxury branding models, in furtherance, the Group will penetrate into strategic markets based on best-selling cycles of different branding models.

The future reform in the automobile dealing industry will be in channel terminals. In future, the positioning of automobile dealers will not only be purely on automobile sales, it will also require a precise positioning and quick response to the automobile after-sales market. The Group will follow the development trend of the automobile industry as we always did, while developing existing business in a stable and sound manner, we will also consolidate the channel resources and strive to build a comprehensive automobile service platform by integrating sales of new automobiles, after-sales service and derivative business (automobile finance, secondhand automobile and insurance) under one roof. By enhancing the synergies of various business segments continuously, a more diversified business profit model will be realized in future for bringing better performance and returns.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of our revenue for the period indicated:

	Year ended 31 December			
	2017		2016	
Revenue source	**Revenue** *(RMB'000)*	**Contribution to total Revenue** *(%)*	**Revenue** *(RMB'000)*	**Contribution to total Revenue** *(%)*
Automobile sales	**30,332,292**	**88.9**	22,866,070	88.9
Luxury and ultra-luxury brands	**26,673,547**	**78.1**	20,826,494	81.0
Mid-to-upper market brands	**3,658,745**	**10.8**	2,039,576	7.9
After-sales business	**3,741,822**	**11.0**	2,838,364	11.0
Luxury and ultra-luxury brands	**3,388,670**	**10.0**	2,697,913	10.5
Mid-to-upper market brands	**353,152**	**1.0**	140,451	0.5
Finance leasing services	**62,056**	**0.1**	4,366	0.1
Total revenue	**34,136,170**	**100**	25,708,800	100

Revenue from the sales of automobiles increased by 32.7% due to the increase in living standard of residents and upgrade of consumption, which stimulated the demand for luxury vehicles and in turn the revenue from the sales of luxury and ultra-luxury vehicles of the Group increased during the reporting period.

Automobile sales generated a substantial portion of our revenue, accounting for 88.9% of our total revenue for the year ended 31 December 2017. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 78.1% (2016: 81.0%) and 10.8% (2016: 7.9%), respectively, of our total revenue.

Revenue from our after-sales business increased by 31.8% from RMB2,838.4 million for the year ended 31 December 2016 to RMB3,741.8 million for the same period in 2017.

Cost of sales and services

For the year ended 31 December 2017, our cost of sales and services increased by 31.9%, from RMB23,675.3 million for the same period in 2016 to RMB31,227.9 million. This increase was basically consistent with the increase in our sales throughout the year ended 31 December 2017.

The cost of sales and services attributable to our automobile sales business amounted to RMB29,281.0 million for the year ended 31 December 2017, representing an increase of RMB7,142.1 million, or 32.3%, from the same period in 2016. The cost of sales attributable to our after-sales business amounted to RMB1,946.7 million for the year ended 31 December 2017, representing an increase of RMB412.4 million, or 26.9% from the same period in 2016.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2017 was RMB2,908.3 million, representing an increase of RMB874.8 million or 43.0% from the same period in 2016. Gross profit from automobile sales increased by 44.6% from RMB727.2 million for the year ended 31 December 2016 to RMB1,051.2 million for the same period in 2017, of which RMB951.1 million were from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 37.7% from RMB1,304.1 million for the year ended 31 December 2016 to RMB1,795.2 million for the same period in 2017. Automobile sales and after-sales business contributed to 36.1% (2016: 35.8%) and 61.7% (2016: 64.1%), respectively, to the total gross profit for the year ended 31 December 2017.

Gross profit margin for the year ended 31 December 2017 was 8.5% (2016: 7.9%), of which the gross profit margin of automobile sales was 3.5% (2016: 3.2%) and of after-sales business was 48.0% (2016: 45.9%). The increase in gross profit margin from automobile sales and after-sales service was mainly due to stable increase in sales volume of luxury vehicles and stregnthened adjustment in business structure.

Other income and gains, net

The majority of other income is commission income, which increased from RMB380.2 million for the year ended 31 December 2016 to RMB599.6 million for the same period in 2017. Other income and gains, net increased by 14.3% from RMB524.0 million for the year ended 31 December 2016 to RMB598.9 million for the same period in 2017, primarily because of strengthening in the refined management in after-sales, expanding businesses such as insurance agent and vehicle financing consultation as well as formulating the corresponding incentive policy..

Selling and distribution costs and administrative expenses

For the year ended 31 December 2017, our selling and distribution costs increased by 22.7% to RMB1,078.7 million from RMB878.8 million for the same period in 2016, mainly due to increased sales volume and the expansion of service network; and our administrative expenses decreased by 9.8% from RMB608.4 million for the same period in 2016 to RMB549.0 million, mainly due to the corresponding result achieved as we continued to optimize the organizational structure and control various costs reasonably.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended 31 December 2017 increased by 75.6% to RMB1,879.5 million from RMB1,070.4 million for the same period in 2016.

Finance costs

Finance costs increased by 48.9% from RMB486.6 million for the year ended 31 December 2016 to RMB724.4 million for the same period in 2017, primarily because of further expansion of business scale resulting in the increase of bank loans.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended 31 December 2017 increased by 92.4% to RMB802.1 million from RMB416.9 million for the same period in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2017, our cash and bank amounted to RMB3,175.1 million, representing a decrease of 14.7% from RMB3,721.7 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 costs. 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 year ended 31 December 2017, our net cash generated from operating activities was RMB916.8 million (2016: RMB1,353.8 million).

Net current assets

As at 31 December 2017, we had net current assets of RMB7,067.1 million, representing an increase of RMB2,144.3 million from RMB4,922.8 million as at 31 December 2016.

Capital expenditure

Our capital expenditures primarily comprised expenditures on property, plant and equipment land use rights and intangible assets. During the year ended 31 December 2017, our total capital expenditures amounted to RMB626.6 million (2016: RMB522.2 million).

Inventories

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 coordinate and aggregate orders for automobile accessories and other automobile-related products across our dealership network.

Our inventories increased by 36.8% from RMB2,935.8 million as at 31 December 2016 to RMB4,017.2 million as at 31 December 2017, primarily due to the increase in the revenue from the sales of new vehicles resulting in the proportional increase in the balances of inventories as well as the Group's acquisition of Wenzhou Kaiyuan project in March 2017 resulting in the increase in inventories.

Our average inventory turnover days for the year ended 31 December 2017 decreased to 40.6 days from 41.6 days in 2016, primarily due to the fact that the Group adopted stringent inventory control policy and increase in sales volume.

Trade Receivables

Trade receivables decreased from RMB652.5 million for the year ended 31 December 2016 to RMB501.0 million for the year ended 31 December 2017, primarily due to the fact that the Group strengthened the control of receivables and improved the collection rate.

Interest-bearing bank and other borrowings

As at 31 December 2017, the Group's available and unutilised banking facilities amounted to approximately RMB8,284.9 million (31 December 2016: RMB6,259.7 million).

Our interest-bearing bank and other borrowings as at 31 December 2017 were RMB8,950.8 million, representing an increase of RMB1,398.4 million from RMB7,552.4 million as at 31 December 2016. The increase was due to the increase in requirements of working capital from expending the business scale.

Interest rate risk and foreign exchange rate risk

As at 31 December 2017, the Group had not used any derivatives to hedge interest rate risk. The Group conducts its business primarily in Renminbi. Certain bank deposits, bank borrowings and credit enhanced bonds were denominated in foreign currencies. The Group has entered into various forward currency options to manage its exchange rate risk exposure. These foreign currencies are not designated for hedging purposes and are measured at fair value through profit or loss. As at 31 December 2017, a fair value of RMB33.5 million (31 December 2016: RMB25.8 million recognised as asset) was recognised as liability by the Group on the currency options and currency forward. Although the Company entered into an ISDA (International Swaps and Derivatives Association, Inc.) 2002 Master Agreement with The Hongkong and Shanghai Banking Corporation Limited dated 30 September 2016, the Group only started to engage in USD interest rate swaps under the aforementioned agreement in January 2017.

Gearing ratio

The Group monitors capital using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade, bills and other payables, accruals, and senior perpetual capital securities less cash and bank. Our gearing ratio for the year ended 31 December 2017 was 66.2% (2016: 71.2%).

Human resources

As at 31 December 2017, the Group had 7,586 employees (31 December 2016: 6,907). Total staff costs for the year ended 31 December 2017, excluding Directors' remuneration were approximately RMB1,057.6 million (2016: RMB647.8 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 31 December 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

Pledge of the Group's assets

Our Group had pledged our group assets, shares in certain subsidiaries and letters of credit as securities against bank loans and other borrowings and bills payable which were used to finance daily business operation and acquisition. As at 31 December 2017, the pledged group assets amounted to approximately RMB5,727.4 million (31 December 2016: RMB4,507.3 million); the pledged letters of credit with an aggregated credit amount of approximated RMB197.8 million (31 December 2016: Nil).

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.

Important events since 1 January 2018

On 5 January 2018, Shanghai Tianhua Automobile Sales Services Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Xinjiang Longze Automobile Services Management Co., Ltd. (the "**Vendor**"), an indirect wholly-owned subsidiary of CGA Group, pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to acquire from the Vendor, 100% equity interest in a company engaged in the management and operation of 4S dealership stores of auto brand of Jaguar Land Rover. For further details, please refer to the announcement of the Company dated 5 January 2018.

On 25 March 2018, 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 Shanghai Zhongguo Automotive Group Co., Ltd.* (上海眾國汽車集團有限公司) and Hefei Gangrong Hotel Management Co., Ltd.* (合肥港榮酒店管理有限公司) (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' four subsidiaries. Please refer to the announcement of the Company dated 25 March 2018 for further details.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, throughout the year ended 31 December 2017, the Company has complied with most of the code provisions as set out in the CG Code, save and except for provision A.2.1.

Under 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 officer 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.

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**") as 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 year ended 31 December 2017.

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.1 per ordinary share for the year ended 31 December 2017 (the "**2017 Final Dividend**") (2016: Nil). The proposed dividend payment is subject to shareholder approval. If approved by shareholders, the 2017 Final Dividend is expected to be paid on or about 29 June 2018 (Friday) to shareholders whose names shall appear on the register of members of the Company on 14 June 2018.

There is no agreement that any shareholder of the Company has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on 8 June 2018. Notice of the 2018 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are eligible to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 5 June 2018 to 8 June 2018, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2018 AGM, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 4 June 2018.

Furthermore, for the purpose of determining shareholders who are entitled to the proposed 2017 Final Dividend, the register of members of the Company will be closed on 14 June 2018, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2017 Final Dividend, all duly stamped share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712—1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 13 June 2018.

AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2017 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's financial results for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Messrs. Ernst & Young ("**EY**"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

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

This announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.klbaoxin.com). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules 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
LI Jianping
Chairman

Hong Kong, 26 March 2018

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 Ms. XU Xing; and the independent non-executive Directors are Mr. DIAO Jianshen, Mr. WANG Keyi and Mr. CHAN Wan Tsun Adrian Alan.