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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 2019

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 2019, as well as comparative figures for the corresponding period in 2018.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019:

- Total revenue was RMB36,463.9 million, in which the automobile sales was RMB31,687.7 million, and the after-sales revenue was RMB4,732.8 million.
- Gross profit was RMB2,845.9 million and the gross profit margin was 7.8%.
- Profit attributable to owners of the parent was RMB629.2 million, representing an increase of 13.1% as compared to that for the year ended 31 December 2018.
- Earnings per share attributable to ordinary equity holders of the parent were RMB0.22.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
REVENUE	4(a)	**36,463,878**	36,790,736
Cost of sales and services provided	5(b)	**(33,617,970)**	(34,003,949)
Gross profit		**2,845,908**	2,786,787
Other income and gains, net	4(b)	**869,641**	834,147
Selling and distribution expenses		**(1,210,639)**	(1,251,045)
Administrative expenses		**(727,135)**	(747,465)
Profit from operations		**1,777,775**	1,622,424
Finance costs	6	**(822,183)**	(706,522)
Share of profits and losses of:			
A joint venture		**1,988**	1,978
Associates		**59,229**	(14,550)
Profit before tax	5	**1,016,809**	903,330
Income tax expense	7	**(394,052)**	(346,226)
Profit for the year		**622,757**	557,104
Incl: Net loss of the parties being absorbed before business combination involving the entities under common control		**(7,301)**	(9,717)
Attributable to:			
Owners of the parent		**629,202**	556,282
Non-controlling interests		**(6,445)**	822
		622,757	557,104
Earnings per share attributable to ordinary equity holders of the parent	8		
Basic and diluted			
— For profit for the year (RMB)		**0.22**	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000* *(Restated)*
PROFIT FOR THE YEAR	**622,757**	557,104
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(29,764)**	—
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**2,888**	—
Time value component of fair value hedges	**54,670**	(54,702)
Exchange differences on translation of financial statements	**(78,801)**	(153,744)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(51,007)**	(208,446)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Financial asset at fair value through other comprehensive income:		
Changes in fair value	—	18,616
Gains on property revaluation	—	68,072
Income tax effect	—	(17,018)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	—	69,670
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(51,007)**	(138,776)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**571,750**	418,328
Attributable to:		
Owners of the parent	**578,195**	417,506
Non-controlling interests	**(6,445)**	822
	571,750	418,328

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,460,341**	3,966,493
Investment properties		**398,144**	370,905
Right-of-use assets		**1,920,323**	—
Prepaid land lease payments		—	455,695
Goodwill		**1,222,016**	1,222,016
Other intangible assets		**1,465,459**	1,523,265
Prepayments and deposits		**91,632**	58,757
Finance lease receivables		**110,672**	131,710
Amounts due from related parties		—	25,000
Investment in a joint venture		**101,983**	99,995
Investments in associates		**126,092**	31,556
Financial asset at fair value through other comprehensive income		—	36,000
Derivative financial instruments		—	10,359
Deferred tax assets		**243,694**	168,219
Total non-current assets		**9,140,356**	8,099,970
CURRENT ASSETS			
Inventories	*9*	**3,503,624**	4,132,068
Trade receivables	*10*	**613,544**	560,511
Finance lease receivables		**208,701**	191,338
Prepayments, other receivables and other assets		**10,098,416**	8,977,080
Amounts due from related parties		**26,474**	23,799
Derivative financial instruments		**26,127**	16,649
Pledged deposits		**3,447,803**	3,547,907
Cash in transit		**49,669**	46,213
Cash and bank balances		**1,663,106**	2,562,269
Total current assets		**19,637,464**	20,057,834

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000 (Restated)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**7,688,337**	3,842,108
Trade and bills payables	*12*	**6,586,920**	7,520,321
Other payables and accruals		**1,366,849**	1,267,601
Lease liabilities		**226,303**	—
Amounts due to related parties		**888,947**	940,607
Income tax payable		**631,963**	477,412
Derivative financial instruments		**—**	2,995
Finance lease payables		**—**	119,509
Total current liabilities		**17,389,319**	14,170,553
NET CURRENT ASSETS		**2,248,145**	5,887,281
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,388,501**	13,987,251
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**1,939,752**	5,828,368
Derivative financial instruments		**27,342**	—
Other payables		**13,704**	42,882
Lease liabilities		**1,209,947**	—
Deferred tax liabilities		**500,577**	535,028
Amounts due to related parties		**—**	352,788
Finance lease payables		**—**	121,400
Total non-current liabilities		**3,691,322**	6,880,466
Net assets		**7,697,179**	7,106,785
EQUITY			
Equity attributable to owners of the parent			
Share capital		**23,277**	23,275
Reserves		**7,646,307**	7,048,470
		7,669,584	7,071,745
Non-controlling interests		**27,595**	35,040
Total equity		**7,697,179**	7,106,785

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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 (the "**Stock Exchange**") since 14 December 2011. On 21 June 2016, China Grand Automotive Services Co. Limited ("**CGA**") officially completed 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised HKFRSs has had no significant financial effect on these financial statements:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB248,467,000 that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.

As a lessee — Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	2,044,699
Decrease in property, plant and equipment	(248,467)
Decrease in prepaid land lease payments	(455,695)
Decrease in prepayments, other receivables and other assets	(74,091)
Increase in total assets	1,266,446
Liabilities	
Increase in lease liabilities	1,507,355
Decrease in finance lease payables	(240,909)
Increase in total liabilities	1,266,446

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018 (restated)	2,199,437
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 (restated)	(29,515)
Add:	
Commitments relating to lease previously classified as finance leases	240,909
Total undiscounted lease liabilities as at 1 January 2019 for adoption of HKFRS 16	2,410,831
Weighted average incremental borrowing rate as at 1 January 2019	6.5%
Lease liabilities as at 1 January 2019	1,507,355

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is 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 areas

Since most of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and most of the Group's non-current assets other than deferred tax assets were located in Mainland China, geographical information as required by HKFRS 8 *Operating Segments* is not presented.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year, major customer information as required by HKFRS 8 *Operating Segments* is not presented.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue:

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers		
Sale of motor vehicles	**31,687,726**	32,255,010
After-sales services	**4,732,762**	4,501,060
Revenue from other sources		
Finance leasing services	**43,390**	34,666
	36,463,878	36,790,736

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Type of goods or service		
Sale of motor vehicles	**31,687,726**	32,255,010
After-sales services	**4,732,762**	4,501,060
Total	**36,420,488**	36,756,070
Timing of revenue recognition		
Goods transferred at a point in time	**31,687,726**	32,255,010
Services transferred at a point in time	**4,732,762**	4,501,060
Total	**36,420,488**	36,756,070

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of motor vehicles

The performance obligation is satisfied upon delivery of the motor vehicles and payment is generally due within 30 days from delivery.

After-sales services

The performance obligation is satisfied upon finalisation, delivery and acceptance upon the service completion and payment is generally on the delivery date.

(b) Other income and gains, net:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Commission income	**745,028**	782,780
Advertisement support received from motor vehicle manufacturers	**19,699**	13,620
Gross rental income from investment property operating leases*	**21,218**	8,246
Rental income from subleases	**43,248**	20,000
Government grants	**58,838**	62,972
Bank interest income	**33,084**	40,415
Loss on disposal of items of property, plant and equipment	**(10,373)**	(25,469)
Gain/(loss) on disposal of items of other intangible assets	**187**	(28)
Loss on termination of an agreement	—	(33,466)
Fair value gains on investment properties	**27,239**	31,351
Net fair value (loss)/gain on derivative instruments	**(1,019)**	6,937
Foreign exchange differences, net	**(59,015)**	(75,125)
Dividend income from a financial asset at fair value through other comprehensive income	—	815
Others	**(8,493)**	1,099
Total	**869,641**	834,147

* Rental income from investment property operating leases does not include variable lease payments that do not depend on an index or a rate.

5. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
(a) Employee benefit expense (including Directors' and chief executive's remuneration :		
Wages and salaries	**844,320**	875,494
Other welfare	**224,906**	227,012
Equity-settled share option expense	**30,622**	47,979
	1,099,848	1,150,485

(b) Cost of sales and services:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Cost of sales of motor vehicles	**30,962,554**	31,538,848
Others	**2,655,416**	2,465,101
	33,617,970	34,003,949

(c) **Other items:**

	Note	2019 *RMB'000*	2018 *RMB'000* *(Restated)*
Depreciation of property, plant and equipment		**272,105**	348,432
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)		**213,809**	16,046
Amortisation of other intangible assets		**61,811**	59,352
Advertisement and business promotion expenses		**268,039**	266,681
Auditor's remuneration		**6,100**	6,100
Bank charges		**28,318**	33,646
Foreign exchange differences, net		**59,015**	75,125
Lease expenses		**28,303**	220,179
Logistics and petroleum expenses		**71,225**	53,620
Office expenses		**20,636**	23,588
Impairment of financial assets			
Impairment of trade receivables	*10*	**4,790**	3,715
Impairment of prepayments, other receivables and other assets		**16,516**	4,159
Impairment of finance lease receivables		**2,388**	1,003
Write-down of inventories to net realisable value		**19,589**	11,928
Loss on disposal of items of property, plant and equipment		**10,373**	25,469
Gross rental income from investment property operating leases		**(21,218)**	(8,246)
Rental income from subleases		**(43,248)**	(20,000)
Government grants		**(58,838)**	(62,972)
Fair value gain on investment properties		**(27,239)**	(31,351)
Net fair value loss/(gain) on derivative instruments		**1,019**	(6,937)
Bank interest income		**(33,084)**	(40,415)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**731,841**	706,522
Incl: Loan arrangement fee	**79,899**	76,820
Interest on lease liabilities	**90,342**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**822,183**	706,522
	822,183	706,522

7. INCOME TAX

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

	2019	2018
	RMB'000	*RMB'000*
Current:		
Mainland China corporate income tax	**503,978**	430,670
Deferred tax	**(109,926)**	(84,444)
Total tax charge for the year	**394,052**	346,226

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 British Virgin Islands ("**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 any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% (2018: 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 uniform income tax rate is 25% (2018: 25%), except for a few subsidiaries in Xinjiang Province that are entitled to reduced two rates prevailing in the area.

8. 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 2,837,418,048 (2018: 2,837,311,429) 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.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

	2019	2018
Earnings	***RMB'000***	*RMB'000*
		(Restated)
Profit attributable to ordinary equity holders of the parent	**629,202**	556,282

Shares	**2019**	2018
Weighted average number of ordinary shares in issue during the year	**2,837,418,048**	2,837,311,429

	2019	2018
Earnings per share	***RMB***	*RMB*
		(Restated)
Basic and diluted	**0.22**	0.20

9. INVENTORIES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* *(Restated)*
Motor vehicles	**3,260,531**	3,904,307
Spare parts and accessories	**262,682**	239,689
	3,523,213	4,143,996
Less: provision for inventories	**19,589**	11,928
	3,503,624	4,132,068

As at 31 December 2019, vehicle certificates (「車輛合格證」) for certain of the Group's inventories with an aggregate carrying amount of RMB787,311,000 (2018: RMB295,262,000) were pledged as security for the Group's interest-bearing bank and other borrowings

As at 31 December 2019, vehicle certificates for certain of the Group's inventories with an aggregate carrying amount of RMB1,884,428,000 (2018: RMB2,070,260,000) were pledged as security for the Group's bills payable.

As at 31 December 2019, the carrying amount of inventories with provision carried at net realisable value was RMB221,398,000 (2018: RMB188,152,000).

10. TRADE RECEIVABLES

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* *(Restated)*
Trade receivables	**617,686**	564,226
Impairment	**(4,142)**	(3,715)
	613,544	560,511

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. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period based on the invoice date, net of loss allowance is as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000* *(Restated)*
Within 3 months	**544,161**	485,416
More than 3 months but less than 1 year	**48,174**	60,034
Over 1 year	**21,209**	15,061
	613,544	560,511

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
At beginning of year	**3,715**	—
Impairment losses *(note 5)*	**4,790**	3,715
Amount written off as uncollectible	**(4,363)**	—
At end of year	**4,142**	3,715

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of groupings of various customer segments with similar loss patterns (i.e., by geographical region and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019		
	Effective interest rate *(%)*	Original maturity	*RMB'000*
Current			
Bank borrowings			
– guaranteed	**4.4-7.2**	**2020**	**1,799,985**
– secured	**4.4-8.0**	**2020**	**72,440**
– secured	**6.6**	**On demand**	**29,000**
– unsecured	**4.4-5.0**	**2020**	**384,898**
– guaranteed	**Libor*+3.2**	**2020**	**3,769,643**
– unsecured	**Hibor**+2.0**	**2020**	**289,785**
– secured and guaranteed	**4.4-8.5**	**2020**	**231,741**
			6,577,492
Other borrowings * **			
– guaranteed	**7.5-8.0**	**2020**	**137,220**
– secured	**7.9-8.5**	**2020**	**111,075**
– unsecured	**8.5-9.4**	**2020**	**33,490**
– secured and guaranteed	**4.2-11.0**	**2020**	**829,060**
			1,110,845
			7,688,337
Non-current			
Bank borrowings			
– secured	**8.0**	**2021-2022**	**10,690**
– guaranteed	**4.9**	**2021-2025**	**609,434**
– guaranteed	**Libor*+3.08**	**2021-2022**	**1,300,542**
– secured and guaranteed	**5.4**	**2021-2024**	**19,086**
			1,939,752
			9,628,089

	31 December 2018		
	Effective interest rate *(%)*	Original maturity	*RMB'000*
Current			
Bank borrowings			
– guaranteed	4.6-7.2	2019	2,165,801
– secured	Hibor**+1.0	2019	207,321
– secured	6.6	On demand	29,000
– unsecured	4.4-6.0	2019	263,987
– secured and guaranteed	4.8-6.3	2019	587,882
			3,253,991
Other borrowings			
– unsecured	8.0-9.0	2019	184,236
– secured and guaranteed	4.7-9.0	2019	403,881
			588,117
			3,842,108
Non-current			
Bank borrowings			
– guaranteed	Libor*+3.2	2020	5,072,205
– guaranteed	4.9	2020-2025	731,998
– secured and guaranteed	5.4	2020-2024	24,165
			5,828,368
			9,670,476

* London Inter-Bank Offered Rate

** Hong Kong Inter-Bank Offered Rate

*** As at 31 December 2019, other borrowings amounting to RMB 951,994,000 were repaid subsequently with no interest charges since the repayment was made within interest-free period in respect of the motor vehicle purchase financing.

12. TRADE AND BILLS PAYABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
		(Restated)
Trade payables	**348,363**	351,696
Bills payable	**6,238,557**	7,168,625
Trade and bills payables	**6,586,920**	7,520,321

13. DIVIDENDS

No final dividend for the year ended 31 December 2019 was recommended per ordinary share (2018: Nil).

14. COMPARATIVE FIGURE

The Group obtained 100% equity interests in Shanghai Huibaohang Automotive Sales Services Limited ("**Shanghai Huibaohang**", formerly known as Shanghai Guanghui Tengde Automotive Sales Services Limited, Shijiazhuang Mingzhibao Automobile Sales Service Company Limited ("**Shijiazhuang Mingzhibao**") and Xuzhou Mingzhibao Automobile Sales Service Company Limited ("**Xuzhou Mingzhibao**") from China Grand Automotive Services Co., Ltd., Hebei Guanghui Investment Co., Ltd. and Shandong Guanghui Auto Service Co., Ltd. during the year. Since these acquired entities and the Group were subsidiaries of CGA before and after the acquisitions, they were accounted for business combinations under common control. The comparative information which includes the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, and notes to the consolidated financial statements for the comparative period were re-presented as if Shanghai Huibaohang, Shijiazhuang Mingzhibao, Xuzhou Mingzhibao and the Group had been combined at the beginning of the comparative period.

INDUSTRY OVERVIEW

Industry review

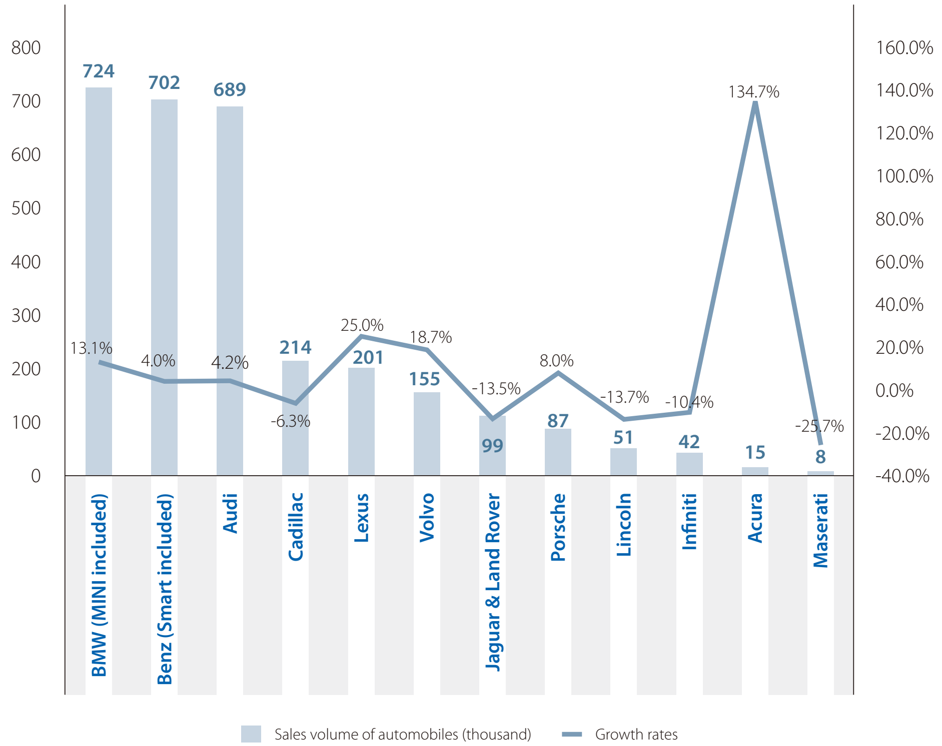
In retrospect, China's economic performance in 2019 was distinguished with a few expected targets accomplished, along with several highlights kindled in the economy. In 2019, the aggregate gross domestic product (the "**GDP**") amounted to approximately RMB100 trillion, with the GDP per capita exceeding USD10,000, the achieved output value is higher than average of upper-middle-income countries, and this has become more evident that China has made a big leap forward in terms of both its aggregate economic values and production capacity. Meanwhile, in 2019, our open economy has materialised growth amid the countercurrents and headwinds, with huge pressure fenced off, and steady progress made in economic restructuring. Moreover, along with the continuously overwhelming trend in living standard improvement among residents, we believe we are blessed with plenty of capacity to further unlock consumption potential in the market.

For the automobile market, 2019 was a year marked with uncertainties when cloudiness blended with promises. Drawing conclusion from production and sales performance, the overall production and sales of the passenger automobile industry was at a low level, which was in line with our earlier expectation of the year. According to statistics collected from the China Association of Automobile Manufacturers, in 2019, production volume and sales of passenger automobiles in China were 21.36 million and 21.444 million units, respectively, with the production volume and sales decreased by 9.2% and 9.6%, respectively, compared with the corresponding period in the previous year.

In 2019, although the sales volume of passenger vehicles in China continued to drop, luxury brands still showed promising results and achieved growth in both the new automobile market and the secondhand automobile market. The sales in luxury car market was boosted due to the adequate price reduction in the entry-level models of luxury brands, while sales surge was also brought about by the overall trend of consumption upgrade in customer clusters for trade-in transactions. According to the data from the China Automobile Dealers Association, the sales volume of new automobiles of luxury brands reached 3,130,830 units, representing a year-on-year increase of more than 12%, with market share of over 14%. The market of secondhand automobiles of luxury brands had similar performance as that of new automobiles of luxury brands, with sales volume reaching 2,380,910 units representing a year-on-year increase of 9.96%, and market share of 18.37%.

According to the statistical analysis released by the China Automobile Dealers Association, the luxury car market in 2019 followed a price-for-volume overall market trend, and the competitive landscape in the market has become predictable and stable, the downward trend in price movement helped increase buyers' traffic in the luxury car market, for instance, the buyer's traffic in Mercedes-Benz, BMW, Audi ("**BBA**"), Jaguar Land Rover, Cadillac and Volvo has materialised growth. The Top 3 German traditional luxury brands BBA, identified as first-tier camp, was testified to an all-round leading performance. BBA, though taking turn winning the championship in first-tier camp, BMW (MINI included) eventually won championship in sales with its recorded sales of 723,680 units, an increase of 13.1% year-on-year. The performance gap that existed within second-tier and third-tier camps of luxury car sectors has become more evident than ever, which we consider to be the most noticeable change of all. Lexus, identified in the second-tier camp, has displayed strong delayed potential; and Lexus, joined by Cadillac, distinguished by its flexible marketing practice, are both crowned the twin figureheads in the market, while ushering into an evolutionary "5 plus N" era. Among which, Lexus, as a fully-imported automobile brand, had sales in China of 200,521 units in 2019, an increase of approximately 25% year-on-year. In contrast, although the performance of Jaguar & Land Rover improved in the second half of the year, its overall performance was unsatisfactory due to being dragged down throughout the year.

China's sales volume and year-on-year growth rate of the top 12 luxury automobile brands in 2019



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

BUSINESS OVERVIEW

During the reporting period, the Company emphasized automobile sales just as much as service quality in its policy concern. Along with sustaining the overall stable growth in sales performance, the Company also focused on business transformation and upgrade, and that the Company would steadily diverge from "sales-led" approach and join in the line of "service-led" in its policy pursuit. Such shift in focus has given impetus to the Company to optimise its profit structure, as well as to improve on after-sale services quality. Ultimately, the Company aimed to deliver the best services most agreeable to the needs of buyers, so as to address the uncertainties that clouded over the industry, and to safeguard the healthy, steady and sustainable growth of the Company in the long run.

For the year ended 31 December 2019, our revenue amounted to approximately RMB36,463.9 million, a decrease of 0.9%, year-on-year; gross profit amounted to RMB2,845.9 million, an increase of 2.1%; profit attributable to equity holders amounted to RMB629.2 million, an increase of 13.1%, and earnings per share recorded RMB0.22.

New automobile sales

During the reporting period, the Group's total sales volume of new automobiles was 111,048 units, representing a year-on-year decrease of 1.6%. Sales revenue from new automobiles amounted to RMB31,687.7 million, representing a year-on-year decrease of 1.8%, of which the sales volume of luxury and ultra-luxury automobiles was 83,620 units, representing a year-on-year increase of 823 units; sales revenue amounted to RMB28,341.2 million, representing a year-on-year decrease of 0.9%. Gross profit margin of the sales of new automobiles was 2.3%.

Luxury brands continued to be the source of the Group's core sales revenue. Sales volume of new automobiles of various luxury brands which the Group dealt with had a steady growth during the reporting period. The proportion of sales revenue from new automobiles of luxury and ultra-luxury brands in the overall sales revenue from new automobiles further increased from 88.6% in last year to 89.4%.

During the reporting period, the luxury brands which we dealt with entered into a cycle of stable development. Various new models with market competitiveness, particularly BMW, rolled out respectively. In 2019, the newly-launched "BMW X3" has gradually become the mainstream car model, and its market share further expanded, the Group's brand portfolio and product structure were therefore further optimized.

The Jaguar & Land Rover brand which the Group dealt with was still in a gradually recovering stage in year 2019. The annual sales volume in China dropped by 13.5%, resulting in the sales of Jaguar & Land Rover brand which the Group dealt with being fluctuated. However, it is believed that, as the majority of the car models of Jaguar & Land Rover will be altered in 2020, such market effect will be gradually manifested.

Meanwhile, in response to changes in the external environment and sales policies adopted by manufacturers, the Group strengthened regional management of new automobile sales. While ensuring the overall gross profit of new automobile sales to remain stable, the Group also proactively strove for sales opportunities of the extended business of each automobile, and continued to enhance the penetration rate of the extended businesses of the Group such as auto finance and auto insurance and the profitability of automobile solely.

After-sales service

During the reporting period, the revenue for after-sales service of the Group was RMB4,732.8 million, representing a year-on-year increase of 5.1%, accounting for 13.0% of the total revenue of the Group. The gross profit of after-sales service was RMB2,078.4 million, representing a year-on-year increase of 2.0%. The gross profit margin of after-sales service was 43.9%, representing a decrease of 1.4 percentage points when compared with the same period of last year.

During the reporting period, the Group speeded up the industry layout of after-sales business, leveraged on the internet automobile service platform "Hui Yang Che (匯養車)" jointly created with CGA, the Group's controlling shareholder, to develop service segments such as "Quick Maintenance (雙人快保)", "Quick Paint-Spraying (快速噴漆)" and "Information Release (信息發佈)", increased the external after-sales customer diversion channels through setting up online connection between customers and different stores, so as to further increase customer stickiness. Meanwhile, benefitting from the stability of the Group's sales of new automobiles, the Group fulfilled the individual needs of customers at all levels for different brands and models by enhancing data analysis and conducting effective online and offline integration, and provided customers with differentiated and customized service products and contents.

During the reporting period, the Group continued to strengthen cost control by introducing cost-saving measures and seeking new income sources. It also utilized its business scale advantages to conduct centralized procurement and allocation for all regions on parts and maintenance supplies that need bulk-purchase as well as organized biddings on a regular basis to ensure product quality and service quality while further reducing the Group's procurement costs.

Derivative business

During the reporting period, the Group actively expanded the automobile derivative business. The Group increased the service standard of derivative business by continuously improving its existing management system and providing a wide variety of derivative service products. As of 31 December 2019, the Group recorded a revenue of RMB745.0 million from automobile derivative business, representing a year-on-year decrease of 4.8%.

During the reporting period, the Group focused on creating online virtual reality showrooms, developed short videos and increased online consumption stickiness. During the novel coronavirus epidemic outbreak, the Group adjusted the staff ratio of online sales and marketing, implemented online business for each 4S store outlet, facilitated online car purchases at home, and provided multi-dimensional comparison and analysis of different car types for potential customers, thus laying a solid foundation for offline dealings after the epidemic.

- Automobile finance business

  During the reporting period, the Group recorded commission income of RMB249.6 million from its financial service business, which decreased by 4.3% as compared to RMB260.8 million in the corresponding period of last year. Meanwhile, the penetration rate of automobile finance in the new automobile business was approximately 60%.

  During the reporting period, the Group adhered to the concept of stable operation and development, appropriately controlled the growth of financial assets, ensured the Company's mid-to-long-term positive development, persisted in risk control, maintained high-standard approval threshold, and reduced the 30-day overdue loan rate and 90-day non-performing loan rate, so as to guarantee the quality of newly-added assets. Meanwhile, the Group focused on providing customers with innovative, differentiated and professionalized lease products and services, and maintained higher level of customer satisfaction.

- Secondhand automobile business

  During the reporting period, the number of secondhand automobiles of the Group traded accumulated to 39,866 units, representing a year-on-year increase of 9.0%. The penetration rate of secondhand automobiles was 35.9%, representing an increase of 1.08 percentage points when compared with the same period of last year.

  During the reporting period, the Group leveraged on its existing offline 4S stores, and by linking with new car sales, integrating the supply chain finance, as well as actively expanding the evaluation, replacement and retail business of secondhand automobiles, the Group ensured its continuous expansion of the existing customer base and provision of quality retail resources of secondhand automobiles, so as to proactively respond to the impacts brought to the secondhand automobile business by external factors such as price fluctuation of new automobiles.

During the reporting period, the Group continued to strengthen the establishment of secondhand automobile teams, upgraded the Enterprise Resource Planning (the "**ERP**") management system of secondhand automobiles, improved its assessment, testing and pricing capabilities, carried out efficient and standardized business and implemented efficient control on financial integration. Meanwhile, the Group also strictly controlled the turnover management of secondhand automobile inventories and set up relevant systems, thus ensuring the healthy and smooth inventory operations.

- Insurance business

  During the reporting period, the commission income of the Group's insurance business was RMB362.5 million, representing a decrease of 3.6% as compared to that of RMB376.1 million in 2018.

  During the reporting period, the Group actively developed innovative non-automobile insurance service products by improving its existing business management model, created an industry-leading "Insurance Cloud (保險雲)" platform, completed the business data connection of major insurance companies, and implemented platformized management and control for business operations. Therefore, it effectively enhanced management efficiency, and by which mitigated the impact of downward fee adjustments that had been introduced for three times in the past.

Network layout

As a leading domestic dealer of luxury automobiles, the Group's business mainly concentrates in the eastern part of China, which acts as the axis for expanding into the northern, central and southern part of China and also the northeast and northwest regions, thus covering the majority of the mainstream market for luxury and ultra-luxury automobiles in China as of now.

During the reporting period, the Group implemented its strategic policy that emphasized on internal adjustment, adopted a cautious attitude towards network expansion, focused on the improvement on management optimization and operational efficiency of existing stores, enhanced the concentration on high-quality brands and eliminated weaker brands, so as to achieve the objectives of cost reduction and optimization. Meanwhile, the Group also rebuilt and improved its existing stores, and managed to reduce capital expenditure of the Company while further raised the efficiency of capital usage, thus allowing itself to have a steady transition throughout the current industry adjustment.

During the reporting period, through acquiring two BMW 4S shops from CGA, its controlling shareholder, and certain existing 4S shops of other brands as well as upgrading and rebuilding them into BMW 4S shops, the Group was able to strengthen its strategic advantage and brand distributions in core regions.

As of 31 December 2019, the Group operated a total of 116 stores and owned a diversified car brand portfolio comprising 10 luxury and ultra-luxury automobile brands (namely BMW (including MINI), Audi, Jaguar Land Rover, Volvo, Cadillac, Chrysler, Alfa Romeo, Porsche, Rolls Royce and Maserati). Specifically, such stores included 94 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.

FUTURE OUTLOOK AND STRATEGIES

In 2019, the automobile industry in China went through the process of transformation and upgrading. Under the influence of factors such as Sino-US economic and trade frictions, changes in environmental protection standards and decrease in subsidies for new energy, the sales market of new automobiles was under additional pressure. Meanwhile, against the backdrop of the steady growth of automobile ownership volume and aging of vehicles, along with the impact of new emerging technology (such as the Internet) and business models, the focus of industry expansion rapidly shifted to the after-sales market. In the segmental business areas, the secondhand automobile market maintained stable development; while the automobile finance business quickly bloomed with substantial room for market development and has become a strong driving force for industry adjustment and transformation. In addition, with the rapid development of 5G, the automobile field will undergo huge reforms. Autonomous driving and "Connected-car Applications (車聯網)" will be introduced successively.

With the official signing of phase one trade deal between US and China, the tensions from Sino-US trade disputes and external economic situations have eased. However, with the outbreak of novel coronavirus epidemic since early 2020, it will undoubtedly create huge challenges to the operating environment of domestic enterprises in the short term. The Group believes that, as a vital part of the automobile industry chain, car dealers are at the forefront of consumption and possess high sensitivity to the market. Although such epidemic will have adverse effect on the industry supply in the short run, it will not change the long-term recovery of the industry. Meanwhile, the epidemic will increase the high demand of the public on public transportation, and this may stimulate consumers to purchase their first cars once the epidemic has been overcome. Moreover, stabilization policies for car consumption introduced by car manufacturers can more effectively offset the impact of the epidemic on the automobile industry.

Continuously driven by the relevant factors such as upgrade of consumption structure and increase of car models covering the segmental markets, the share of China's luxury automobile market in the future is expected to be further expanded. The Group will adhere to its positioning as the dealer of luxury automobiles, continuously develop the sales service industry chain of luxury and ultra-luxury automobile brands, as well as create service standards equipped with the Group's distinguished brand features.

The Group will rely on its rich experience in the automobile industry to make timely and accurate judgement on changes in the future development trends of the automobile industry (particularly the expanding new energy vehicle sector). The Group has set up professional talent teams and technical reserves, actively established strategic cooperation with the automobile manufacturers of major global brands and the supporting enterprises of related industry chains, captured the development opportunities of new energy vehicle market and after-sales market, organized the layout of the upstream and downstream industry chain of new energy vehicles, thus creating a service chain for new energy vehicle combining charging, travelling and energy integration.

Meanwhile, the Group will adhere to efficient management policies, constantly optimize the internal refined management system, uphold the Company's governance philosophy of maintaining a sound financial position and increasing its rate of return, be market-oriented and improve its dealership network, and expand the huge development potential of after-sales market, so as to ensure that the Group is able to achieve healthy, sustainable and stable long-term development and a win-win situation for shareholders, employees, customers and society.

FINANCIAL REVIEW

Revenue

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

	Year ended 31 December			
	2019		2018	
Revenue source	**Revenue**	**Contribution to total Revenue**	Revenue	Contribution to total Revenue
	(RMB'000)	***(%)***	*(RMB'000)* *(Restated)*	*(%)* *(Restated)*
Automobile sales	**31,687,726**	**86.9**	32,255,010	87.7
Luxury and ultra-luxury brands	**28,341,202**	**77.7**	28,588,866	77.7
Mid-to-upper market brands	**3,346,524**	**9.2**	3,666,144	10.0
After-sales business	**4,732,762**	**13.0**	4,501,060	12.2
Luxury and ultra-luxury brands	**4,356,197**	**12.0**	4,098,643	11.1
Mid-to-upper market brands	**376,565**	**1.0**	402,417	1.1
Finance leasing services	**43,390**	**0.1**	34,666	0.1
Total revenue	**36,463,878**	**100**	36,790,736	100

Revenue from the sales of automobiles decreased by 1.8% due to the fact that the overall performance of the new automobile sales market was under pressure while being affected by the external economic environment. At the same time, the brands Jaguar & Land Rover and Maserati were underperformed in China during the reporting period.

Automobile sales generated a substantial portion of our revenue, accounting for 86.9% of our total revenue for the year ended 31 December 2019. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 77.7% (2018: 77.7%) and 9.2% (2018: 10.0%), respectively, of our total revenue.

Revenue from our after-sales business increased by 5.1% from RMB4,501.1 million for the year ended 31 December 2018 to RMB4,732.8 million for the same period in 2019.

Cost of sales and services

For the year ended 31 December 2019, our cost of sales and services decreased by 1.1%, from RMB34,003.9 million for the same period in 2018 to RMB33,618.0 million, which was primarily due to the Group's insistence on adopting strict control on sales expenses and optimizing its cost-allocation strategy.

The cost of sales and services attributable to our automobile sales business amounted to RMB30,962.6 million for the year ended 31 December 2019, representing a decrease of RMB576.3 million, or 1.8%, from the same period in 2018. The cost of sales attributable to our after-sales business amounted to RMB2,654.3 million for the year ended 31 December 2019, representing an increase of RMB190.5 million, or 7.7% from the same period in 2018.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2019 was RMB2,845.9 million, representing an increase of RMB59.1 million or 2.1% from the same period in 2018. Gross profit from automobile sales increased by 1.3% from RMB716.2 million for the year ended 31 December 2018 to RMB725.2 million for the same period in 2019, of which RMB722.1 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 2.0% from RMB2,037.2 million for the year ended 31 December 2018 to RMB2,078.4 million for the same period in 2019. Automobile sales and after-sales business contributed to 25.5% (2018: 25.7%) and 73.0% (2018: 73.1%), respectively, to the total gross profit for the year ended 31 December 2019.

Gross profit margin for the year ended 31 December 2019 was 7.8% (2018: 7.6%), of which the gross profit margin of automobile sales was 2.3% (2018: 2.2%) and of after-sales business was 43.9% (2018: 45.3%).

Other income and gains, net

Other income and net gains increased by 4.3% from RMB834.1 million for the same period in 2018 to RMB869.6 million for the year ended 31 December 2019, mainly due to the growth in rental income and the decrease in foreign exchange differences during the reporting period when compared with the same period of last year. During the reporting period, the Group recorded other gains amounting to RMB27.2 million from the changes of fair value of investment properties.

Selling and distribution costs and administrative expenses

For the year ended 31 December 2019, our selling and distribution costs decreased by 3.2% to RMB1,210.6 million from RMB1,251.0 million for the same period in 2018. Our administrative expenses decreased by 2.7% from RMB747.5 million for the same period in 2018 to RMB727.1 million, which was primarily due to the Group's adoption of a more stringent policy on reducing cost and increasing efficiency, which in turn further controlled expenditures and raised the efficiency of capital usage during the reporting period.

Profit from operations

As a result of the foregoing, our profit from operations for the year ended 31 December 2019 increased by 9.6% to RMB1,777.8 million from RMB1,622.4 million for the same period in 2018.

Finance costs

Finance costs increased by 16.4% from RMB706.5 million for the year ended 31 December 2018 to RMB822.2 million for the same period in 2019, primarily because of the HKFRS 16 impact amounted to RMB90.4 million. Upon deducting the effect of HKFRS 16, finance costs in 2019 was RMB731.8 million.

Profit for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended 31 December 2019 increased by 11.8% to RMB622.8 million from RMB557.1 million for the same period in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2019, our cash and cash equivalents amounted to RMB1,663.1 million, representing a decrease of 35.1% from RMB2,562.3 million as at 31 December 2018. Such decrease was primarily due to the use of cash flows generated from operating activities by the Group to repay certain debts, as well as the increased use of cash payments and the decreased use of payment by notes during the reporting period.

Our primary uses of cash were to purchases 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 2019, our net cash generated from operating activities was RMB662.3 million (2018: RMB706.0 million).

Net current assets

As at 31 December 2019, we had net current assets of RMB2,248.1 million, representing a decrease of RMB3,639.2 million from RMB5,887.3 million as at 31 December 2018.

Capital expenditure

Our capital expenditures primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended 31 December 2019, our total capital expenditures amounted to RMB673.2 million (2018: RMB776.2 million).

Inventories

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

Our inventories decreased by 15.2% from RMB4,132.1 million as at 31 December 2018 to RMB3,503.6 million as at 31 December 2019.

Our average inventory turnover days for the year ended 31 December 2019 decreased to 41.5 days from 44.3 days in 2018. This was primarily due to the fact that we accelerated the pace of new automobile sales during the reporting period as well as enhanced quota management of the costs on inventory, which in turn increased the efficiency of inventory turnover and controlled financial costs.

Trade Receivables

Trade receivables increased from RMB560.5 million for the year ended 31 December 2018 to RMB613.5 million for the year ended 31 December 2019, primarily due to the increase of insurance commission receivables.

Interest-bearing bank and other borrowings

As at 31 December 2019, the Group's available and unutilised banking facilities amounted to approximately RMB7,189.5 million (31 December 2018: RMB8,544.0 million).

Our interest-bearing bank and other borrowings as at 31 December 2019 were RMB9,628.1 million, representing a decrease of RMB42.4 million from RMB9,670.5 million as at 31 December 2018. The decrease in our interest-bearing bank and other borrowings was primarily due to the use of cash flows generated from operating activities by us to repay certain debts.

Interest rate risk and foreign exchange rate risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Certain of our borrowings were floating rate borrowings that are linked to the benchmark rates of the People's Bank of China, HIBOR and LIBOR. Increases in interest rates could adversely affect our finance costs, profit and our financial condition. We currently use certain derivative financial instruments to control some of our exposure to interest rate risk.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of 31 December 2019, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we also used derivative financial instruments to control our exposure to foreign exchange risk.

Gearing ratio

The Group monitors capital by 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 balances. Our gearing ratio for the year ended 31 December 2019 was 67.5% (2018: 69.3%).

Human resources

As at 31 December 2019, the Group had 7,210 employees (31 December 2018: 7,759). Total staff costs for the year ended 31 December 2019, excluding Directors' remuneration were approximately RMB1,089.1 million (2018: RMB1,136.1 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 2019, the Group had no significant contingent liabilities (31 December 2018: 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 2019, the pledged group assets amounted to approximately RMB6,263.7 million (31 December 2018: RMB5,999.5 million).

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

Acquisitions

The Group did not have any significant acquisitions of subsidiaries and affiliated companies during the year ended 31 December 2019.

Disposals

The Group did not have any significant disposals of subsidiaries and affiliated companies during the year ended 31 December 2019.

Important events after 31 December 2019

In response to the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented across China. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

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

During the year ended 31 December 2019, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

In the opinion of the Directors, throughout the year ended 31 December 2019, 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 2019.

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 does not recommend the payment of final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The 2020 annual general meeting (the "**2020 AGM**") will be held on 12 June 2020 (Friday). Notice of the 2020 AGM and all other relevant documents will be published and issued 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 2020 AGM, the register of members of the Company will be closed from 9 June 2020 (Tuesday) to 12 June 2020 (Friday), both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2020 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 8 June 2020 (Monday).

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), Ms. LIU Yangfang 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 2019, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2019 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 2019 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 (www.hkexnews.hk) and the Company (www.klbaoxin.com). The annual report of the Company for the year ended 31 December 2019 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, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. LI Jianping, Mr. WANG Xinming, Mr. QI Junjie, Mr. LU Ao and Ms. XU Xing; and the independent non-executive Directors are Mr. DIAO Jianshen, Ms. LIU Yangfang and Mr. CHAN Wan Tsun Adrian Alan.