GRAND BAOXIN AUTO GROUP LIMITED
廣 匯 寶 信 汽 車 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1293)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Grand Baoxin Auto Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the six months ended 30 June 2020, together with comparative figures for the corresponding period in 2019 as follows:

SUMMARY OF CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	**Unaudited For the six months ended 30 June 2020** *RMB'000*	Unaudited For the six months ended 30 June 2019 *RMB'000*
REVENUE	*4(a)*	**14,602,950**	17,361,045
Cost of sales and services provided	*5(b)*	**(13,665,961)**	(16,001,738)
Gross profit		**936,989**	1,359,307
Other income and gains, net	*4(b)*	**457,142**	486,314
Selling and distribution expenses		**(534,357)**	(580,433)
Administrative expenses		**(313,401)**	(343,640)
Profit from operations		**546,373**	921,548
Finance costs	*6*	**(348,138)**	(398,171)
Share of profits and losses of:			
Joint ventures		**265**	1,325
Associates		**2,180**	2,966
Profit before tax	*5*	**200,680**	527,668
Income tax expense	*7*	**(113,863)**	(212,445)
Profit for the period		**86,817**	315,223
Attributable to:			
Owners of the parent		**92,688**	316,763
Non-controlling interests		**(5,871)**	(1,540)
		86,817	315,223
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the period (RMB)	*9*	**0.03**	0.11

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Unaudited For the six months ended 30 June 2020 *RMB'000*	Unaudited For the six months ended 30 June 2019 *RMB'000*
Profit for the period	**86,817**	315,223
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 period	**(35,312)**	(30,017)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**9,215**	–
Time value component of fair value hedges	**32**	29,355
Exchange differences on translation of financial statements	**(73,557)**	(12,820)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(99,622)**	(13,482)
Other comprehensive income for the period, net of tax	**(99,622)**	(13,482)
Total comprehensive income for the period	**(12,805)**	301,741
Attributable to:		
Owners of the parent	**(6,934)**	303,281
Non-controlling interests	**(5,871)**	(1,540)
	(12,805)	301,741

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,509,997**	3,460,341
Investment properties		**398,144**	398,144
Right-of-use assets		**1,814,743**	1,920,323
Other intangible assets		**1,435,798**	1,465,459
Prepayments and deposits		**89,226**	91,632
Finance lease receivables		**78,706**	110,672
Goodwill		**1,222,016**	1,222,016
Investments in joint ventures		**102,248**	101,983
Investments in associates		**128,272**	126,092
Deferred tax assets		**224,327**	243,694
Total non-current assets		**9,003,477**	9,140,356
CURRENT ASSETS			
Inventories	*10*	**3,583,708**	3,503,624
Trade receivables	*11*	**464,828**	613,544
Finance lease receivables		**171,947**	208,701
Prepayments, other receivables and other assets		**9,528,794**	10,098,416
Amounts due from related parties		**46,776**	26,474
Derivative financial instruments		–	26,127
Pledged deposits		**2,935,128**	3,447,803
Cash in transit		**65,206**	49,669
Cash and cash equivalents		**1,203,707**	1,663,106
Total current assets		**18,000,094**	19,637,464

	Notes	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**5,085,173**	7,688,337
Trade and bills payables	*13*	**5,875,254**	6,586,920
Other payables and accruals		**1,146,970**	1,366,849
Lease liabilities		**149,471**	226,303
Amounts due to related parties		**602,286**	888,947
Income tax payable		**589,194**	631,963
Total current liabilities		**13,448,348**	17,389,319
NET CURRENT ASSETS		**4,551,746**	2,248,145
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,555,223**	11,388,501
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**550,951**	1,939,752
Derivative financial instruments		**54,649**	27,342
Other payables		**11,690**	13,704
Lease liabilities		**1,235,453**	1,209,947
Deferred tax liabilities		**489,331**	500,577
Amounts due to a related party		**3,520,000**	–
Total non-current liabilities		**5,862,074**	3,691,322
Net assets		**7,693,149**	7,697,179
EQUITY			
Equity attributable to owners of the parent			
Share capital		**23,277**	23,277
Reserves		**7,648,148**	7,646,307
		7,671,425	7,669,584
Non-controlling interests		**21,724**	27,595
Total equity		**7,693,149**	7,697,179

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL 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 Group Co., Ltd ("**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 period, the Group was principally engaged in the sale and service of motor vehicles.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The revised standards have had no significant financial effect on these financial statements.

3. SEGMENT INFORMATION

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

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

Information about geographical area

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

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2020, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

	Unaudited For the six months ended 30 June 2020 *RMB'000*	Unaudited For the six months ended 30 June 2019 *RMB'000*
Revenue from contracts with customers		
Sales of motor vehicles	**12,760,614**	15,045,781
After-sales services	**1,823,478**	2,293,818
Revenue from other sources		
Finance leasing services	**18,858**	21,446
	14,602,950	17,361,045

Revenue from contracts with customers

Disaggregated revenue information

	Unaudited For the six months ended 30 June 2020 ***RMB'000***	Unaudited For the six months ended 30 June 2019 *RMB'000*
Types of goods or service		
Sale of motor vehicles	**12,760,614**	15,045,781
After-sales services	**1,823,478**	2,293,818
Total	**14,584,092**	17,339,599
Timing of revenue recognition		
Goods transferred at a point in time	**12,760,614**	15,045,781
Service rendered at a point in time	**1,823,478**	2,293,818
Total	**14,584,092**	17,339,599

(b) Other income and gains, net

	Unaudited For the six months ended 30 June 2020 *RMB'000*	Unaudited For the six months ended 30 June 2019 *RMB'000*
Commission income	**422,259**	382,096
Bank interest income	**9,131**	18,839
Advertisement support received from motor vehicle manufacturers	**10,072**	6,818
Rental income*	**23,436**	24,348
Government grants**	**46,022**	39,233
Gain/(loss) on disposal of items of property, plant and equipment	**747**	(260)
Gain on disposal of items of other intangible assets	**692**	–
Net fair value loss on derivative instruments	**–**	(2,171)
Net loss on disposal of subsidiaries	**(1,387)**	–
Fair value gains on investment properties	**–**	25,002
Foreign exchange difference, net	**(51,402)**	(7,475)
Others	**(2,428)**	(116)
	457,142	486,314

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

** There are no unfulfilled conditions or contingencies related to these grants.

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
	RMB'000	*RMB'000*
(a) **Employee benefit expense (including Directors' and chief executive's remuneration)**		
Wages and salaries	**381,386**	416,935
Other welfare	**66,396**	110,446
Equity-settled share option expense	**8,775**	21,490
	456,557	548,871
(b) **Cost of sales and services**		
Cost of sales of motor vehicles	**12,581,768**	14,749,431
Others	**1,084,193**	1,252,307
	13,665,961	16,001,738

(c) **Other items**

	Unaudited For the six months ended 30 June 2020 ***RMB'000***	Unaudited For the six months ended 30 June 2019 *RMB'000*
Depreciation of property, plant and equipment*	**139,398**	141,936
Amortisation of other intangible assets*	**30,940**	30,865
Advertisement and business promotion expenses	**90,533**	116,761
Auditor's remuneration	**3,050**	3,050
Bank charges	**11,641**	15,803
Foreign exchange difference, net	**51,402**	7,475
Depreciation of right-of-use assets*	**109,864**	104,806
Lease expenses*	**9,092**	16,831
Logistics and gasoline expenses	**34,468**	31,499
Office expenses	**8,629**	9,166
Impairment of financial assets:		
Impairment of trade receivables	**216**	600
Impairment of financial assets included in prepayments, other receivables and other assets	**6,054**	614
Impairment of financial lease receivables	**4,956**	22
Reversal of write-down of inventories to net realisable value**	**(727)**	(1,726)
Net fair value loss on derivative instruments	**–**	2,171
Fair value gains on investment properties	**–**	(25,002)
Net loss on disposal of subsidiaries	**1,387**	–
(Gain)/loss on disposal of items of property, plant and equipment	**(747)**	260
Gain on disposal of items of other intangible assets	**(692)**	–
Bank interest income	**(9,131)**	(18,839)

* The amount of these depreciation of property, plant and equipment, amortisation of other intangible assets, depreciation of right-of-use assets and lease expenses are included in "cost of sales and services provided", "selling and distribution expenses" and "administrative expenses" in the condensed consolidated interim statement of profit or loss.

** The amount of these reversal of write-down of inventories to net realisable value are included in "cost of sales and services provided" in the condensed consolidated interim statement of profit or loss.

6. FINANCE COSTS

	Unaudited For the six months ended 30 June 2020 *RMB'000*	Unaudited For the six months ended 30 June 2019 *RMB'000*
Interest on bank and other borrowings (including amounts due to related parties)	**305,278**	350,963
Incl: loan arrangement fee	**30,369**	58,465
Interest on lease liabilities	**42,860**	47,208
Total interest expense on financial liabilities not at fair value through profit or loss	**348,138**	398,171

7. INCOME TAX

	Unaudited For the six months ended 30 June 2020 *RMB'000*	Unaudited For the six months ended 30 June 2019 *RMB'000*
Current tax:		
Mainland China corporate income tax	**105,742**	264,041
Deferred tax	**8,121**	(51,596)
Total tax charge for the period	**113,863**	212,445

Pursuant to the relevant rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the subsidiaries of the Group incorporated therein are not subject to any income tax in the Cayman Islands and the BVI.

The subsidiaries incorporated in Hong Kong are subject to an income tax at the rate of 16.5% (six months ended 30 June 2019: 16.5%) during the period.

According to the Corporate Income Tax Law of the People's Republic of China ("**CIT Law**"), the uniform income tax rate is 25% (six months ended 30 June 2019: 25%), except for a few subsidiaries in Xinjiang Uygur Autonomous Region that are entitled to reduced rates prevailing in the area.

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,837,511,429 (six months ended 30 June 2019: 2,837,323,120) in issue during the period.

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

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019.

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

	Unaudited For the six months ended 30 June 2020	Unaudited For the six months ended 30 June 2019
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**92,688**	316,763
Shares		
Weighted average number of ordinary shares in issue during the period	**2,837,511,429**	2,837,323,120
Earnings per share		
Basic and diluted (RMB)	**0.03**	0.11

10. INVENTORIES

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Motor vehicles	**3,272,450**	3,260,531
Spare parts and accessories	**330,120**	262,682
	3,602,570	3,523,213
Less: provision for inventories	**18,862**	19,589
	3,583,708	3,503,624

11. TRADE RECEIVABLES

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Trade receivables	**469,041**	617,686
Impairment	**(4,213)**	(4,142)
	464,828	613,544

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2020		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	**3.8-6.0**	**2020-2021**	**2,031,857**
– secured	**3.5-8.0**	**2020-2021**	**152,294**
– secured	**6.6**	**On demand**	**29,000**
– unsecured	**4.2-7.2**	**2020-2021**	**268,413**
– guaranteed***	**Libor*+3.08**	**On demand**	**1,326,137**
– secured and guaranteed	**3.7-5.4**	**2020**	**216,311**
			4,024,012
Other borrowings			
– guaranteed	**8.5**	**2020**	**38,028**
– secured	**7.4-8.5**	**2020-2021**	**160,251**
– unsecured	**6.3-8.8**	**2020**	**141,804**
– secured and guaranteed	**4.2-11.0**	**2020**	**721,078**
			1,061,161
			5,085,173
Non-current			
Bank borrowings			
– secured	**8.0**	**2021-2023**	**16,652**
– guaranteed	**4.9**	**2022-2025**	**513,992**
– secured and guaranteed	**5.4**	**2021-2024**	**16,441**
			547,085
Other borrowings			
– secured	**7.4**	**2021**	**3,866**
			550,951
			5,636,124

	Audited As at 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

* London Inter-Bank Offered Rate

** Hong Kong Inter-Bank Offered Rate

*** As at 30 June 2020, non-current bank borrowings of approximately RMB1,326,137,000 required to be repaid on demand pursuant to certain clauses in the loan agreement have been classified as current liabilities accordingly. On 20 July 2020, the Group has reached an agreement with the financial institutions of these bank loans that the repayment schedule remained same as the original maturity dates.

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Trade payables	**484,446**	348,363
Bills payable	**5,390,808**	6,238,557
Trade and bill payables	**5,875,254**	6,586,920

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

14. COMPARATIVE FIGURE

As disclosed in annual report up to 31 December 2019, the Group acquired 100% equity interests in Shanghai Huibaohang Automotive Sales Services Limited ("**Shanghai Huibaohang**") since 12 September 2019, Shijiazhuang Mingzhibao Automobile Sales Service Company Limited ("**Shijiazhuang Mingzhibao**") and Xuzhou Mingzhibao Automobile Sales Service Company Limited ("**Xuzhou Mingzhibao**") since 18 November 2019 from CGA. Since these acquired entities and the Group are subsidiaries of CGA before and after the acquisitions, they were accounted for as business combinations under common control. The comparative information which includes the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income and notes to the condensed consolidated interim financial statements for the comparative period is re-presented as if Shanghai Huibaohang, Shijiazhuang Mingzhibao, Xuzhou Mingzhibao and the Group had been combined at the beginning of the comparative period.

15. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

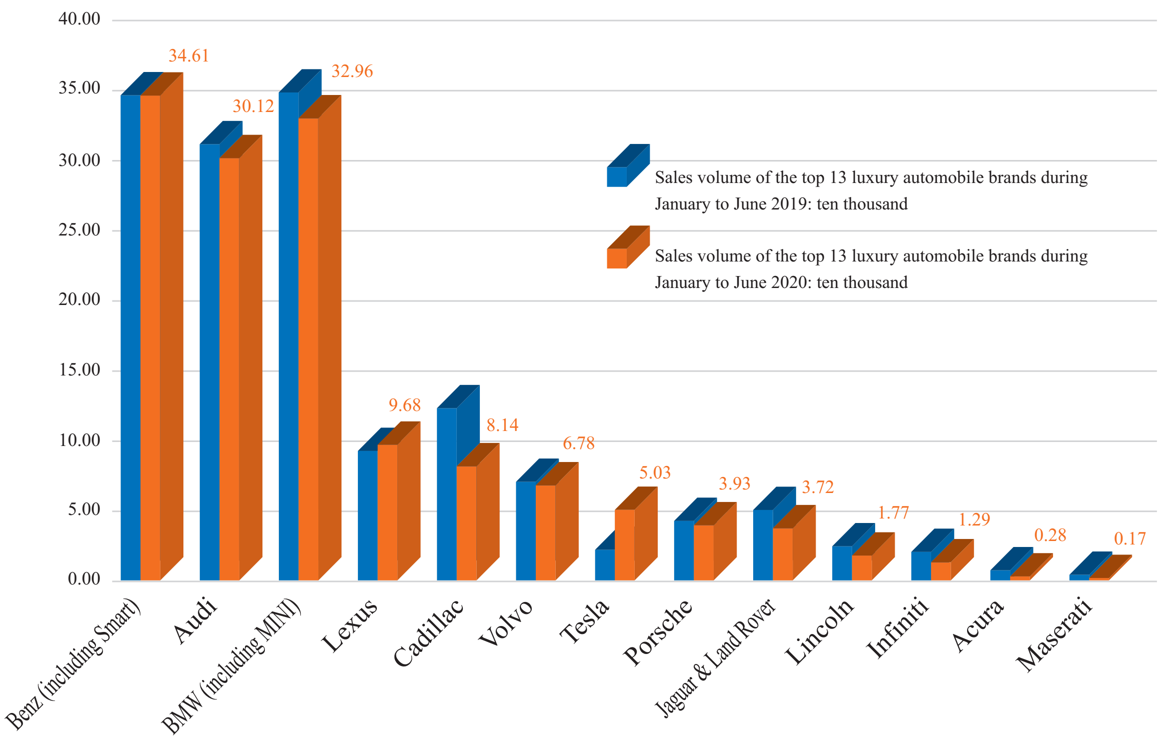
INDUSTRY OVERVIEW

In early 2020, the effect of the COVID-19 pandemic outbreak not only had imposed severe challenges to the domestic economy, but also had a severe impact on the automobile market. Such period of stagnancy in the automobile market was evidenced by the suspension of work and production as well as the lack of offline consumption scenarios. It was the root cause of the difficult situation that the automobile market faced during the first half of this year. According to the statistics of China Association of Automobile Manufacturers, for the period from January to June 2020, the production and sales volume of passenger vehicles were 7,754,000 units and 7,873,000 units respectively, representing a year-on-year decrease of 22.5% and 22.4% respectively as compared to the same period in 2019.

Meanwhile, the automobile market has been recovering rapidly since the COVID-19 pandemic had been under control. According to the statistical analysis of the China Automobile Dealers Association, in June 2020, the production and sales volume of passenger vehicles in China were 1,798,000 units and 1,764,000 units respectively, representing a year-on-year increase of 12.2% and 1.8% respectively. The monthly sales volume in luxury car retail market has been rising. The incentive from respective local government policies and the frequently held regional automobile showrooms in June had effectively stimulated car consumption. In June 2020, luxury car dealers' terminal sales reached 310,000 units, representing a year-on-year increase of 1.8% and a month-on-month growth of 6.3%, indicating a positive sales growth for four consecutive months. Sales volume of luxury automobile in the second quarter of 2020 was nearly 70,000 units more than the corresponding period of last year, indicating that the luxury automobile market not only has gradually recovered from the impact of the COVID-19 pandemic and started its positive trend, but also has the expectation of its annual sales volume turning positive and maintaining single-digit growth.

In the first half of 2020, Benz (Smart included) still led the luxury automobile market, with sales volume reaching 346,067 units in the first half of the year, and was also the only brand which had recorded a growth (slight growth of 0.4%) among the BBA brands. Sales volume of BMW (MINI included) in the first half of the year was 329,069 units, representing a drop of 6% when compared with the same period of last year. Sales volume of Audi in the first half of the year had a year-on-year decrease of 3.2%. In terms of new energy vehicles, sales volume of Tesla in the first half of the year had a year-on-year growth of 96.72%, and its sales volume further rose with the subsequent launch of the follow-up Model Y manufactured in China. As for Jaguar & Land Rover brand, 2020 is its year of "aggressive product campaign". From April to June 2020 , sales volume of Jaguar & Land Rover in China achieved month-on-month growth for three consecutive months. With the launch of new car models and the iteration cycle of various mainstream car models, it is expected that the brand market appeal will be significantly strengthened.

Sales volume of the top 13 luxury automobile brands in the first half of 2020



(*Note:* The top 13 luxury automobile brands are: Benz (Smart), Audi, BMW (MINI), Lexus, Cadillac, Volvo, Tesla, Porsche, Jaguar & Land Rover, Lincoln, Infiniti, Acura, Maserati)

BUSINESS OVERVIEW

During the period for the six months ended 30 June 2020 (the "**Reporting Period**"), as the leading dealer of luxury brand passenger vehicles in China, the Company emphasized automobile sales just as much as service quality in its policy concern. While facilitating the optimization of its profit structure, the Company also actively improved its after-sale services quality, with the ultimate goal to deliver the best services most agreeable to the needs of customers, so as to address the uncertainties caused by the pandemic and industry fluctuations, and to safeguard the healthy, steady and sustainable growth of the Company in the long run.

For the six months ended 30 June 2020, our revenue amounted to approximately RMB14,603.0 million, a year-on-year decrease of 15.9%; gross profit amounted to RMB937.0 million, a decrease of 31.1%; profit attributable to owners of the parent amounted to RMB92.7 million, a decrease of 70.7%, and earnings per share recorded RMB0.03.

New automobile sales

In the first half of 2020, in order to tackle with the COVID-19 pandemic, the Group adopted more prudent operational strategies and slowed down the pace of bulk purchasing, in order to diminish inventory pressure. For the six months ended 30 June 2020, the Group sold a total of 42,362 units of new automobiles, representing a drop of 21.9% compared to the corresponding period in 2019, and the Group achieved a new automobile sales revenue of RMB12,760.6 million, representing a drop of 15.2% compared to the corresponding period in 2019, in which the sales volume of luxury and ultra-luxury cars was 33,233 units, representing a decrease of 7,498 units compared to the corresponding period in 2019, and such sales revenue reached RMB11,618.2 million, representing a drop of 13.5% compared to the corresponding period, which accounted for 91.0% of new automobile sales revenue. In the first half of 2020, the overall gross profit margin of new automobiles of the Group was 1.4%, representing a decrease of 0.6 percentage point when compared to the corresponding period in 2019.

During the Reporting Period, affected by the spread of the COVID-19 pandemic, cities across China had adopted relatively strict control measures in the first quarter of the year, and the offline business of the Group was obviously impacted. The customer traffic and the sales volume of new automobiles from various dealing stores have dropped considerably, which indirectly affected the number of admissions from after-sales services and our derivative business, etc. With the COVID-19 pandemic gradually under control in the second quarter, the market is steadily recovering. Driven by favorable policies, the demand on automobile previously suppressed by the pandemic has now unleashed and has stabilized the automobile market, therefore the production and operations of the Group have also resumed to normal level.

Due to the lack of offline business during such exceptional period, the Group has also actively optimized its new automobile sales models. The "stay at home" quarantine measures during the pandemic has driven the car-watching demand for consumers and the Group has adopted a new model of car-watching and sales through the "everything can be broadcast (萬物皆可播)" webcast livestreaming program. Apart from enhancing the interaction with consumers, our webcast livestreaming program can also improve the promotion effect of various brands. We can also efficiently obtain records, resources and related information of our online consumers, so as to shorten the decision-making process of our consumers, and effectively integrate our own resources and operational advantages with the online resources, big data, and new retail advantages of internet e-commerce, thus creating a new automotive retail service platform with our own brands effect.

After-sales services

In the first half of 2020, the revenue of after-sales services was RMB1,823.5 million, representing a decrease of 20.5% compared to the corresponding period, accounting for 12.5% of the total revenue of the Group. The gross profit of after-sales services was RMB742.1 million, and the gross profit margin of after-sales was 40.7%.

For the six months ended 30 June 2020, the after-sales services business of the Group have resumed growth after the pandemic is contained. During the Reporting Period, the Group continued to strengthen its cost control while increasing its income sources and reducing expenditure, leverage the advantages of its business scale to centralize procurement and allocation of parts and components in various regions. While ensuring the quality of its services and products, the Group will further control its procurement costs in order to minimize the adverse impact of the COVID-19 pandemic.

Derivative business

During the Reporting Period, the Group proactively expanded its automobile derivative businesses by continuously overhauling the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative businesses. For the six months ended 30 June 2020, the commission income from the Group's automobile derivative businesses was RMB422.3 million, representing an increase of 10.5% compared to the corresponding period.

The Group believes that the future of the automobile derivative business will continue to be the driving force of the automobile service industry in the future. During the Reporting Period, based on the special circumstances of quarantine caused by the COVID-19 pandemic, the Group focused on establishing a car-watching webcast livestreaming program and an online virtual reality showrooms aiming to increase the stickiness of its online consumers. By implementing its online operations in 4S shops at various outlets, we can offer potential customers with a multi-dimensional comparative analysis of various automobile models online without our staffs leaving their home, which established a solid foundation for offline transactions after the pandemic is contained. Even when our offline business have gradually recovered and the pressure has released, the Group will maintain our webcast livestreaming of car-watching as our new normal.

- Automobile finance business

  During the Reporting Period, the Group recorded a commission income of financial services business of RMB94.3 million, representing a decrease of 26.6% compared to RMB128.4 million in the first half of 2019. Meanwhile, the financial penetration rate of the automobile finance market in respect of the new automobile business increased from 60.7% in the first half of 2019 to 62.9% in this Reporting Period.

- Secondhand automobile business

  During the Reporting Period, the number of secondhand automobiles of the Group traded accumulated to 14,620 units, representing a decrease of 21.5% compared to the same period. The penetration rate of the secondhand automobile business was 34.8%, which maintained stable compared to the same period last year.

- Insurance business

  During the Reporting Period, the commission income of the Group's insurance business was RMB132.4 million, representing a decrease of 14.1% as compared to that of RMB154.1 million in the first half of 2019, and the commission income from extended warranty business increased by 339.2%.

Network layout

As a leading domestic dealer of luxury brands 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 parts 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, against the backdrop of the overall market situation of the automobile industry and the pandemic, the Group promptly adjusted its strategic policy and adopted a more cautious attitude towards external network expansion. At the same time, the Group focused on the improvement on management optimization and operational efficiency of its existing stores, enhanced the concentration on high-quality brands and eliminated weaker brands. Based on the above reasons, the Group has disposed of 3 secondhand automobile dealing stores to CGA, its controlling shareholder, during the Reporting Period, so as to achieve the objectives of cost reduction and optimization. Meanwhile, the Group also refurbished 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.

As at 30 June 2020, the Group owned a total of 113 automobile dealing stores and its portfolio of automobile brands included 10 luxury and ultra-luxury brands, namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Infiniti, Cadillac, Alfa Romeo, Porsche, Rolls Royce and Maserati. Specifically, such stores included 91 luxury and ultra-luxury brand dealing stores, 17 mid-to-high brand dealing stores and 5 independent after-sales services (maintenance and decoration and loss assessment center) stores.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, our revenue was RMB14,603.0 million, representing a decline of approximately 15.9% as compared to the same period in 2019. The decrease was primarily due to a decrease of RMB2,285.2 million, or 15.2%, in automobile sales revenue as a result of the pandemic, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2019.

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

	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
Revenue Source	**Revenue**	**Contribution**	Revenue	Contribution
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Automobile sales	**12,760,614**	**87.4**	15,045,781	86.7
After-sales services	**1,823,478**	**12.5**	2,293,818	13.2
Finance leasing services	**18,858**	**0.1**	21,446	0.1
Total	**14,602,950**	**100.0**	17,361,045	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 87.4% of our total revenue for the six months ended 30 June 2020. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 91.0% (for the six months ended 30 June 2019: 89.3%) and 9.0% (for the six months ended 30 June 2019: 10.7%), respectively, of our revenue from the sales of automobiles. The decrease of revenue from the sales of automobiles of RMB2,285.2 million was mainly attributable to the significant drop in customer traffic and sales of new automobile caused by the COVID-19 pandemic in the first quarter, resulting in a decrease in new automobile sales revenue.

Revenue from our after-sales services decreased by 20.5% from RMB2,293.8 million for the six months ended 30 June 2019 to RMB1,823.5 million for the same period in 2020. The Group continues to focus on, and is strengthening the management of, its after-sales services. Due to the impact of the pandemic, the number of after-sales services admissions of the Group in the first quarter was significantly impacted, resulting in a decrease in after-sales services revenue. As the pandemic has gradually contained, the market has resumed growth, and its impact has gradually released. The Group has also leveraged a wide range of innovative services and a more refined and managed operations to return to its normal operating standards after the pandemic has contained. The relevant contribution of our after-sales services to our revenue decreased from 13.2% for the six months ended 30 June 2019 to 12.5% for the same period in 2020.

Cost of sales and services

For the six months ended 30 June 2020, our cost of sales and services decreased by 14.6%, from RMB16,001.7 million for the same period in 2019 to RMB13,666.0 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB12,581.8 million for the six months ended 30 June 2020, representing a decrease of RMB2,167.7 million, or 14.7%, as compared to the same period of 2019. The cost of sales and services attributable to our after-sales services amounted to RMB1,081.4 million for the six months ended 30 June 2020, representing a decrease of RMB170.8 million, or 13.6%, from the same period in 2019.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2020 was RMB937.0 million, representing a decrease of RMB422.3 million, or 31.1%, from the same period in 2019. Gross profit from automobile sales decreased by 39.7% from RMB296.4 million for the six months ended 30 June 2019 to RMB178.8 million for the same period in 2020, of which RMB168.2 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales services decreased by 28.8% from RMB1,041.6 million for the six months ended 30 June 2019 to RMB742.1 million for the same period in 2020. Automobile sales and after-sales services contributed 19.1% and 79.2%, respectively, to the total gross profit for the six months ended 30 June 2020.

Gross profit margin for the six months ended 30 June 2020 was 6.4% as compared to 7.8% of the same period last year, of which the gross profit margin of automobile sales was 1.4%, representing a decrease as compared to 2.0% of the same period last year. The gross profit margin of after-sales services recorded a decrease to 40.7% as compared to 45.4% of the same period last year.

Other income and net gains

Other income and net gains decreased by 6.0% from RMB486.3 million for the six months ended 30 June 2019 to RMB457.1 million for the same period in 2020, mainly due to no fair value gains on investment properties during the Reporting Period.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2020 decreased by 40.7% from RMB921.5 million in the same period last year to RMB546.4 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended 30 June 2020 decreased by 72.5% from RMB315.2 million in the same period last year to RMB86.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2020, our cash and cash equivalents amounted to RMB1,203.7 million, representing a decrease of 27.6% from RMB1,663.1 million as at 31 December 2019.

Our primary uses of cash were to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating expenses. We financed our liquidity requirements through a combination of short-term bank 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 and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the six months ended 30 June 2020, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB979.2 million (for the six months ended 30 June 2019: generated from RMB165.9 million), RMB14.3 million (for the six months ended 30 June 2019: used in RMB63.4 million), and RMB1,408.4 million (for the six months ended 30 June 2019: generated from RMB133.8 million), respectively.

Net current assets

As at 30 June 2020, we had net current assets of RMB4,551.7 million, representing an increase of RMB2,303.6 million from RMB2,248.1 million as at 31 December 2019.

Capital expenditures

Our capital expenditures primarily comprise expenditures on property, plant and equipment, land use rights and other intangible assets. During the six months ended 30 June 2020, our total capital expenditure was RMB201.9 million (for the six months ended 30 June 2019: RMB289.0 million).

Inventory

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

Our inventories were RMB3,583.7 million as at 30 June 2020, a 2.3% increase from RMB3,503.6 million as at 31 December 2019, and our average inventory turnover days increased from 41.5 days at 31 December 2019 to 46.7 days for the six months ended 30 June 2020.

Interest-bearing bank and other borrowings

As at 30 June 2020, the Group's available and unutilised banking facilities amounted to approximately RMB5,730.0 million (as at 31 December 2019: RMB7,189.5 million).

Our interest-bearing bank and other borrowings as at 30 June 2020 were RMB5,636.1 million, representing a decrease of RMB3,992.0 million from RMB9,628.1 million as at 31 December 2019. The decreased was mainly due to the repayment of bank loans by the Group during the Reporting Period.

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. During the six months ended 30 June 2020, 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 some of our exposure to foreign exchange rate 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 and accruals, less cash and bank balances. Our gearing ratio for the six months ended 30 June 2020 was 59.9% (as at 31 December 2019: 67.5%).

Human resources

As at 30 June 2020, the Group has approximately 6,737 employees (as at 30 June 2019: 7,191). Total staff costs for the six months ended 30 June 2020, excluding directors' remuneration, were approximately RMB452.3 million (for the six months ended 30 June 2019: RMB543.3 million).

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

Contingent liabilities

As at 30 June 2020 and 31 December 2019, the Group had no significant contingent liabilities.

Pledge of the Group's assets

The Group pledged its group assets to secure for bank and other borrowings, bills payable and banking facilities which were used to finance daily business operation. As at 30 June 2020, the pledged group assets amounted to approximately RMB6,242.3 million (as at 31 December 2019: RMB6,263.7 million).

CHANGE IN BOARD COMPOSITION AND CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Qi Junjie resigned as an executive Director on 1 May 2020.

Save as disclosed above, there is no other change in the composition of the Board or change in the director's biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2020 and up to the date of this announcement.

Changes since 31 December 2019

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2019.

FUTURE OUTLOOK AND STRATEGIES

Currently, the economy is in the post-pandemic recovery phase. Three major economic indicators, consumptions, investment and export had all been improved in the second quarter, as well as the residents' income and sentiments, resulting in an overall increase of consumption willingness. As for the automobile market, promoted by the favorable polices, the automobile demands suppressed by the pandemic at the earlier stage have been gradually recovered, hence resulting in the gradual recovery of the automobile market. Market factors including the reopening of automobile showrooms and the sales promotions by manufacturers will be further strengthened in the second half of the year.

As for the future, driven by the various factors such as upgrade of consumption structure and increase of car models covering the segmental markets, the share of luxury automobile market is expected to be further expanded. The Group will adhere to its positioning as the dealer of luxury brand automobiles, 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.

Meanwhile, the Group will also continue to focus on improving its operation efficiency, optimizing its income structure, and responding various uncertainties in the future by relying on its own extensive experience in automobile industry and internal refined management system. At the same time, the Group will also be market-oriented, continue to expand automobile after-sales market and seize the development opportunities in new energy vehicle market, so as to ensure that the Group is able to achieve long-term healthy and stable development objectives and a win-win situation for shareholders, employees, customers and society.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2020, the Group did not hold any significant investment in equity interest in any other company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the six months ended 30 June 2020, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, throughout the six months ended 30 June 2020, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Our chairman, Mr. 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.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020.

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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

AUDIT COMMITTEE REVIEW

Pursuant to the requirement of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising of Mr. Diao Jianshen (chairman), 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 considered and reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 and are of the view that the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.klbaoxin.com). The interim report of the Company for the six months ended 30 June 2020 will be despatched to the shareholders of the Company and made available on the same websites in due course.

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

Shanghai, the People's Republic of China, 28 August 2020

As at the date of this announcement, the Company's executive Directors are Mr. LI Jianping, Mr. WANG Xinming, 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.