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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 2021**

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 2021 (the “**Reporting Period**”), as well as comparative figures for the corresponding period in 2020.

#### **FINANCIAL HIGHLIGHTS**

*For the year ended 31 December 2021:*

- Total revenue was RMB37,582.6 million, in which the automobile sales was RMB33,024.0 million, and the after-sales revenue was RMB4,523.4 million.
- Gross profit was RMB2,285.8 million and the gross profit margin was 6.1%.
- Profit attributable to owners of the parent was RMB552.0 million, representing an increase of 161.1% as compared to that for the year ended 31 December 2020.
- Earnings per share attributable to ordinary equity holders of the parent were RMB0.19 (2020: RMB0.07).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>REVENUE</b>	4(a)	<b>37,582,644</b>	35,134,341
Cost of sales and services provided	5(b)	<b>(35,296,852)</b>	(33,384,256)
<b>Gross profit</b>		<b>2,285,792</b>	1,750,085
Other income and gains, net	4(b)	<b>1,110,849</b>	1,082,446
Selling and distribution expenses		<b>(1,211,204)</b>	(1,108,724)
Administrative expenses		<b>(706,461)</b>	(671,809)
<b>Profit from operations</b>		<b>1,478,976</b>	1,051,998
Finance costs	6	<b>(598,008)</b>	(646,330)
Share of profits and (losses) of:			
Joint ventures		<b>(1,430)</b>	265
Associates		<b>29,547</b>	50
<b>Profit before tax</b>	5	<b>909,085</b>	405,983
Income tax expense	7	<b>(365,726)</b>	(205,301)
<b>Profit for the year</b>		<b>543,359</b>	200,682
<b>Attributable to:</b>			
Owners of the parent		<b>551,986</b>	211,418
Non-controlling interests		<b>(8,627)</b>	(10,736)
		<b>543,359</b>	200,682
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted			
— For profit for the year (RMB)	8	<b>0.19</b>	0.07

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>543,359</u>	<u>200,682</u>
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	389	(31,757)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	29,213	24,341
Time value component of fair value hedges	—	32
Exchange differences on translation of financial statements	<u>90,418</u>	<u>122,000</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>120,020</u>	<u>114,616</u>
OTHER COMPREHENSIVE GAIN FOR THE YEAR, NET OF TAX	<u>120,020</u>	<u>114,616</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>663,379</u></u>	<u><u>315,298</u></u>
Attributable to:		
Owners of the parent	672,006	326,034
Non-controlling interests	<u>(8,627)</u>	<u>(10,736)</u>
	<u><u>663,379</u></u>	<u><u>315,298</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		<b>31 December</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,443,928</b>	3,353,836
Investment properties		<b>394,316</b>	393,353
Right-of-use assets		<b>1,678,152</b>	1,918,915
Goodwill		<b>1,222,016</b>	1,222,016
Other intangible assets		<b>1,352,547</b>	1,406,346
Prepayments and deposits		<b>62,734</b>	56,627
Finance lease receivables		<b>79,609</b>	60,182
Investment in joint ventures		<b>102,248</b>	102,248
Investments in associates		<b>150,437</b>	123,707
Deferred tax assets		<b>225,677</b>	302,349
		<hr/>	<hr/>
Total non-current assets		<b>8,711,664</b>	8,939,579
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	9	<b>2,782,521</b>	3,934,610
Trade receivables	10	<b>376,991</b>	406,719
Finance lease receivables		<b>160,890</b>	182,804
Prepayments, other receivables and other assets		<b>11,062,847</b>	9,778,204
Amounts due from related parties		<b>47,568</b>	67,339
Pledged deposits		<b>3,249,125</b>	3,280,534
Cash in transit		<b>1,928</b>	26,059
Cash and bank balances		<b>1,701,133</b>	1,945,627
		<hr/>	<hr/>
Total current assets		<b>19,383,003</b>	19,621,896
		<hr/>	<hr/>

		<b>31 December 2021</b>	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>11</i>	<b>5,685,144</b>	5,357,650
Trade and bills payables	<i>12</i>	<b>6,845,486</b>	6,949,166
Other payables and accruals		<b>1,091,434</b>	1,327,024
Lease liabilities		<b>126,204</b>	168,153
Amounts due to related parties		<b>29,674</b>	57,838
Derivative financial instruments		<b>6,256</b>	—
Income tax payable		<b>653,713</b>	640,621
		<hr/>	<hr/>
Total current liabilities		<b>14,437,911</b>	14,500,452
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>4,945,092</b>	5,121,444
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>13,656,756</b>	14,061,023
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>11</i>	<b>529,737</b>	691,527
Derivative financial instruments — non current		—	35,973
Other payables		<b>9,675</b>	9,612
Lease liabilities		<b>1,179,119</b>	1,210,183
Deferred tax liabilities		<b>467,031</b>	479,679
Amounts due to related parties		<b>2,796,549</b>	3,621,875
		<hr/>	<hr/>
Total non-current liabilities		<b>4,982,111</b>	6,048,849
		<hr/>	<hr/>
Net assets		<b>8,674,645</b>	8,012,174
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>23,277</b>	23,277
Reserves		<b>8,662,902</b>	7,979,892
		<hr/>	<hr/>
		<b>8,686,179</b>	8,003,169
		<hr/>	<hr/>
Non-controlling interests		<b>(11,534)</b>	9,005
		<hr/>	<hr/>
Total equity		<b>8,674,645</b>	8,012,174
		<hr/> <hr/>	<hr/> <hr/>

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Act of the Cayman Islands. The registered address of the Company is P.O. Box 309, Umland 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 revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

Other than as explained below regarding the impact of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*, the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs did not have any significant impact on the financial position and performance of the Group:

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months (the “**2021 Amendment**”). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

### 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 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b><i>Revenue from contracts with customers</i></b>		
Sale of motor vehicles	33,024,027	30,829,162
After-sales services	4,523,362	4,269,980
<b><i>Revenue from other sources</i></b>		
Finance leasing services	35,255	35,199
	<u>37,582,644</u>	<u>35,134,341</u>

##### Revenue from contracts with customers

##### (i) Disaggregated revenue information

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Types of goods or service</b>		
Sale of motor vehicles	33,024,027	30,829,162
After-sales services	4,523,362	4,269,980
	<u>37,547,389</u>	<u>35,099,142</u>
<b>Timing of revenue recognition</b>		
At a point in time	<u>37,547,389</u>	<u>35,099,142</u>

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of each of the reporting periods and recognised from performance obligations satisfied in previous periods:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sale of motor vehicles	757,808	694,028
After-sales services	218,768	218,762
	<u>976,576</u>	<u>912,790</u>
Total contract liabilities	<u>976,576</u>	<u>912,790</u>



(ii) Performance obligations

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

*Sale of motor vehicles*

Each sale of motor vehicles is a single performance obligation. The transaction price for a vehicle sale is determined with the customer at the time of sale. The performance obligation is satisfied upon delivery of the motor vehicles. The Group generally receive payment directly from the customer at the time of sale or from the third-party financial institutions within 30 days following the sale. In certain cases, the Group arranges finance lease with a period of one to two years.

*After-sales services*

Each after-sales services related to repairs and maintenance under manufacturers warranties or customer-paid repairs and maintenance is a single performance obligation. The transaction price for automotive repair and maintenance services is based on the parts used, the number of labor hours applied, and standardized hourly labor rates. The performance obligation is satisfied upon finalisation, delivery and acceptance upon the service completion. The Group generally receives payment on the delivery date for the customer-paid repairs and maintenance services and within two to three months for repairs and maintenance services under manufacturer warranties or covered by insurance companies.

(b) **Other income and gains, net:**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Commission income	1,012,269	1,048,545
Advertisement support received from automobile manufacturers	23,834	17,356
Gross rental income from investment property operating leases*	19,097	15,014
Rental income from subleases	18,343	38,083
Government grants**	88,087	86,176
Bank interest income	22,280	16,513
Loss on disposal of items of property, plant and equipment	(6,158)	(33,204)
Gain on disposal of items of other intangible assets	—	998
Fair value gain/(loss) on investment properties	963	(4,791)
Fair value gain/(loss) on derivative instruments	—	4,490
Foreign exchange differences, net	(65,477)	(151,776)
Gain/(loss) on disposal of subsidiaries	8	(1,387)
Others	(2,397)	46,429
Total	<u>1,110,849</u>	<u>1,082,446</u>

\* 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):

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>(a) Employee benefit expense (including Directors' and chief executive's remuneration):</b>		
Wages and salaries	854,558	815,225
Other welfare	261,580	134,697
Equity-settled share option expense	523	12,697
	<u>1,116,661</u>	<u>962,619</u>
<b>(b) Cost of sales and services provided:</b>		
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of sales of motor vehicles	32,519,644	30,472,383
Others	2,777,208	2,911,873
	<u>35,296,852</u>	<u>33,384,256</u>

(c) **Other items:**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment*	258,599	268,631
Depreciation of right-of-use assets***	215,888	234,889
Amortisation of other intangible assets*	62,046	61,712
Advertisement and business promotion expenses	292,351	242,504
Auditor's remuneration	6,100	6,100
Bank charges	30,694	27,187
Foreign exchange differences, net	65,477	151,776
Lease payments not included in the measurement of lease liabilities*	20,519	19,180
Logistics and petroleum expenses	56,387	72,983
Office expenses	19,470	18,880
Impairment of financial assets:		
Impairment of trade receivables	11,186	3,543
Impairment of prepayments, other receivables and other assets	35,473	19,200
Impairment of finance lease receivables	3,644	11,035
Write-down of inventories to net realisable value**	33,587	36,791
Loss on disposal of items of property, plant and equipment	6,158	33,204
Gain on disposal of items of other intangible assets	—	(998)
Gross rental income from investment properties	(19,097)	(15,014)
Rental income from subleases	(18,343)	(38,083)
Grovenment grants	(88,087)	(86,176)
Fair value (gain)/loss on investment properties	(963)	4,791
Fair value gain on derivative instruments	—	(4,490)
Bank interest income	(22,280)	(16,513)
(Gain)/loss on disposal of subsidiaries	(8)	1,387

\* the amount of these depreciation of property, plant and equipment, amortisation of other intangible assets, are included in “cost of sales and services provided”, “selling and distribution expenses” and “administrative expenses” in the consolidated statement of profit or loss.

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

\*\*\* the amount of depreciation of right-of-use assets and lease expenses are included in “cost of sales and services provided”, “selling and distribution expenses”, “administrative expenses” and “Other income and gains, net” in the consolidated statement of profit or loss

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings (including amounts due to related parties) <i>Incl: Loan arrangement fee</i>	520,312 19,793	561,337 37,314
Interest on lease liabilities	77,696	84,993
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>598,008</b>	646,330
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## 7. INCOME TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax	301,701	284,854
Deferred tax	64,025	(79,553)
	<hr/>	<hr/>
Total tax charge for the year	<b>365,726</b>	205,301
	<hr/> <hr/>	<hr/> <hr/>

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 income tax at the rate of 16.5% (2020: 16.5%). Hong Kong profit tax has been provided on the estimated assessable profits arising in Hong Kong during the year presented.

According to the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”), the uniform income tax rate is 25% (2020: 25%), except for two subsidiaries in Xinjiang Uygur Autonomous Region were exempted from income tax in the first five years and 15 subsidiaries in Sichuan Province were entitled to income tax rate of 15% under western development policy.

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

The calculation of the basic earnings per share amounts 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 2,837,511,429 in issue during the year ended 31 December 2021 (2020: 2,837,511,429).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	<b>2021</b>	2020
<b>Earnings</b>	<b>RMB'000</b>	<i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent	<b>551,986</b>	211,418
	<u><u>551,986</u></u>	<u><u>211,418</u></u>
<b>Shares</b>	<b>2021</b>	2020
Weighted average number of ordinary shares in issue during the year	<b>2,837,511,429</b>	2,837,511,429
	<u><u>2,837,511,429</u></u>	<u><u>2,837,511,429</u></u>
<b>Earnings per share</b>	<b>2021</b>	<b>2020</b>
	<b>RMB</b>	<i>RMB</i>
Basic and diluted	<b>0.19</b>	0.07
	<u><u>0.19</u></u>	<u><u>0.07</u></u>

## 9. INVENTORIES

	<b>31 December</b>	31 December
	<b>2021</b>	2020
	<b>RMB'000</b>	<i>RMB'000</i>
Motor vehicles	<b>2,472,712</b>	3,652,791
Spare parts, accessories and others	<b>343,317</b>	309,645
	<u><u>2,816,029</u></u>	<u><u>3,962,436</u></u>
Less: Provision for inventories	<b>33,508</b>	27,826
	<u><u>2,782,521</u></u>	<u><u>3,934,610</u></u>

## 10. TRADE RECEIVABLES

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Trade receivables	<b>380,635</b>	409,040
Impairment	<b>(3,644)</b>	(2,321)
	<b>376,991</b>	406,719

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. The Group generally provides a credit term of 30 days to customers for the automobile sales price financed by the financial institutions. The Group also generally provides a credit term of two to three months to automobile manufacturers or insurance companies for the claims of repairs and maintenance under manufacturer warranties or covered by insurance companies. 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:

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Within 3 months	<b>311,100</b>	354,440
More than 3 months but less than 1 year	<b>37,991</b>	39,712
Over 1 year	<b>27,900</b>	12,567
	<b>376,991</b>	406,719

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021		
	Effective interest rate (%)	Original maturity	<i>RMB'000</i>
<b>Current</b>			
<b>Bank borrowings</b>			
— guaranteed	2.5-8.5	2022	2,497,080
— guaranteed ***	LIBOR*+3.08	On demand	1,027,670
— unsecured	6.6	On demand	29,000
— secured	3.6-6.0	2022	499,658
— unsecured	4.0-7.2	2022	166,000
— secured and guaranteed	3.7-5.5	2022	347,390
			<u>4,566,798</u>
<b>Other borrowings</b>			
— guaranteed	3.7-8.8	2022	292,570
— secured	3.5-8.9	2022	38,738
— unsecured	6.3-9.7	2022	16,851
— secured and guaranteed	4.2-8.5	2022	770,187
			<u>1,118,346</u>
			<u>5,685,144</u>
<b>Non-current</b>			
<b>Bank borrowings</b>			
— secured	6.4-8.0	2023	230,570
— guaranteed	4.9	2023-2025	299,167
			<u>529,737</u>
			<u><u>6,214,881</u></u>



31 December 2020

	Effective interest rate (%)	Original maturity	RMB '000
<b>Current</b>			
<b>Bank borrowings</b>			
— guaranteed	3.9-6.5	2021	1,777,932
— guaranteed ***	LIBOR*+3.08	On demand	1,223,158
— secured	4.1-8.0	2021	125,425
— unsecured	6.6	On demand	29,000
— unsecured	4.0-7.2	2021	429,584
— secured and guaranteed	3.7-5.5	2021	366,283
			<u>3,951,382</u>
<b>Other borrowings</b>			
— guaranteed	5.1	2021	24,642
— secured	7.7-8.5	2021	36,660
— unsecured	6.1-9.0	2021	227,178
— secured and guaranteed	3.5-11.0	2021	1,117,788
			<u>1,406,268</u>
			<u>5,357,650</u>
<b>Non-current</b>			
<b>Bank borrowings</b>			
— secured	5.2-8.0	2022-2023	224,477
— guaranteed	4.9	2022-2025	467,050
			<u>691,527</u>
			<u>6,049,177</u>

\* London Inter-Bank Offered Rate

\*\* Hong Kong Inter-Bank Offered Rate

\*\*\* As at 31 December 2021, long term bank borrowings with an aggregate carrying amount of approximately USD161,925,000, which is repayable in March 2022 per loan agreements, with repayment on demand clause, have been classified as current liabilities as at 31 December 2021 in order to comply with the requirements set out in Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* as one repayment on demand clause stipulated in the loan contracts is triggered. Based on the consent of majority lenders, the relevant financial requirement for the period end 31 December 2021 has been waived. The borrowing was repaid on 8 March 2022.

## 12. TRADE AND BILLS PAYABLES

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Trade payables	<b>362,119</b>	452,380
Bills payable	<b>6,483,367</b>	6,496,786
	<hr/>	<hr/>
Trade and bills payables	<b>6,845,486</b>	6,949,166
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31 December 2021 RMB'000</b>	31 December 2020 RMB'000
Within 3 months	<b>6,037,489</b>	6,173,411
3 to 6 months	<b>613,726</b>	602,668
6 to 12 months	<b>177,736</b>	171,035
Over 12 months	<b>16,535</b>	2,052
	<hr/>	<hr/>
	<b>6,845,486</b>	6,949,166
	<hr/> <hr/>	<hr/> <hr/>

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

## 13. DIVIDENDS

No dividend was recommended for the year ended 31 December 2021 (2020: None).

#### 14. EVENT AFTER THE REPORTING PERIOD

The Board announces that, on 4 March 2022, the Company (as borrower) entered into a facility agreement (the “**Facility Agreement**”) with (among others) Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司) (“**SCBHK**”) as global coordinator, SCBHK and China Everbright Bank Company Limited, Shanghai Branch as mandated lead arranger and bookrunners, China Citic Bank Corporation Limited Suzhou Branch and China Guangfa Bank Co., Ltd, Shanghai Branch as lead arrangers, Industrial Bank Co., Ltd, Shanghai Branch as arranger, a syndicate of banks as original lenders, SCBHK as facility agent and SCBHK as security agent for a term loan facility in the aggregate amount of US\$130,000,000, while the aggregate amount may be increased by the Company in accordance with the Facility Agreement by an aggregate amount of not more than US\$150,000,000 (the “**Facilities**”). The Facilities are available for drawdown for a period of 7 months from the date of the Facility Agreement and the loans made under the Facility Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. China Grand Automotive Services Group Co., Ltd. (廣匯汽車服務集團股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297)) will provide joint and several liability guarantee for the Facilities. The purpose of the Facilities is (among others) to refinance the existing indebtedness of the Company and for general corporate purposes of the Group. For further details, please refer to the Company’s announcement dated 4 March 2022.

## INDUSTRY OVERVIEW

### Industry review

Looking back, China's overall economy has recovered and remained stable in 2021, and the growth rate has shown a trend of surge at the beginning but subsequently slowed down. In the first half of the year, China's economic growth continued to lead the world. However, the economic growth has slowed down significantly since the third quarter, mainly due to the combination effects of internal and external factors such as the regulation on the real estate market, the supervision over implicit debt by the local government, "chips shortage", "restrictions on production" and the spread of the epidemic. The economic development of China is facing a three-way challenge of "shrinking demand, supply shock, and weakening expectations". According to statistics from the National Bureau of Statistics, China's GDP in 2021 was RMB114,367.0 billion, representing a year-on-year growth of 8.1%, an average growth of 5.1% over the last two years.

According to statistics from the China Association of Automobile Manufacturers ("CAAM"), throughout 2021, the production and sales volume of automobile in China were 26.0828 million units and 26.2758 million units, respectively, representing a year-on-year growth of 3.4% and 3.8%. The production and sales of passenger vehicles were 21.408 million units and 21.4828 million units, respectively, representing a year-on-year growth of 7.1% and 6.5%. Among which, "carbon emissions in the transportation sector" is the key sector in the process of achieving "dual carbon" goals in China, and the development of new energy vehicles is currently one of the critical means of China to promote carbon peaking in the transportation sector. Under the backdrop of "dual carbon" goals, new energy vehicles aroused public awareness in 2021. According to the data published by CAAM, the cumulative sales of new energy passenger vehicles was 2.923 million units in 2021, representing a year-on-year growth of approximately 156%. The annual penetration rate of the traditional passenger vehicle market reached to 13.8%, which has become a strong driving force for the growth of passenger vehicle market.

After years of market expansion and cultivation, luxury car brands have experienced rapid growth in the post-pandemic era and have become the new driver for the automobile market development. Under the context of chip shortage of luxury car brands in 2026 based on the data released by the China Passenger Car Information Association ("CPCA"), the cumulative sales amounted to approximately 3.66 million units representing a year-on-year growth of approximately 6.6%. Although consumers nowadays are more rational in car purchases, with the diversification of product series in luxury cars, the consumer demand for additional purchase and trade-in for luxury cars still exists and are constantly increasing, and young consumers born in the 1980s and 1990s will become the major consumers of luxury cars in the future. On the other hand, channels of ultra-luxury and luxury brands are declining, high quality products and services as well as experience on luxury brands will better satisfy such urgent needs of customers in third- and fourth-tier markets.

In 2021, based on the market performance analysis of BBA luxury car brands in China, the BMW brand leads the luxury car market with a larger advantage. According to the official data released by BMW, the sales of BMW (including MINI) was 846,000 units, representing a year-on-year increase of 8.9%, making it the only brand among all the first-tier luxury brands to achieve positive growth. Due to the impact of parts and components supply, the domestic sales of Mercedes-Benz in 2021 fell by 2% year-on-year to 759,000 units, while Audi fell by 3.6% year-on-year to 700,000 units. The overall landscape of the industry has also changed from the previous “equally distributed among the top three” to “dominated by one brand” by BMW. The factors behind the above changes are mainly attributed to the well-established system, high productivity and excellent operating capabilities of the BMW brand, as well as a clearer and more specific layout under the localization strategy of “China First”. Most of the second-tier luxury brands have achieved year-on-year growth. Jaguar & Land Rover has also maintained its growth momentum, and recorded a accumulated sales volume of 104,000 units in China during 2021, representing a year-on-year increase of 42.5%.

As a direct competitor to Cadillac and Lexus, Tesla’s excellent performance in 2021 speaks for itself. Among which, a total of 171,000 units and 151,000 units of Model Y and Model 3 respectively were delivered throughout the year. The above-mentioned deliveries have already reached the level of first-tier luxury car models.



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

## **BUSINESS OVERVIEW**

During the Reporting Period, the Group adjusted to market changes, enhanced refined management, and also strengthened brand management reform. While focusing on the steady increase in new automobile sales, the Group also takes into account the development of service quality, strengthens the service quality of after-sales business and facilitates the optimization of its profit structure, with the ultimate goal to deliver the best services most agreeable to the needs of the customers, so as to safeguard the healthy, steady and sustainable growth of the Group in the long run.

For the year ended 31 December 2021, our revenue amounted to approximately RMB37,582.6 million, representing a year-on-year increase of 7.0%; gross profit amounted to RMB2,285.8 million, representing a year-on-year increase of 30.6%; profit attributable to equity holders amounted to RMB552.0 million, representing a year-on-year increase of 161.1%, and earnings per share recorded RMB0.19.

### **New automobile sales**

For the year ended 31 December 2021, the Group achieved new automobile sales revenue of RMB33,024.0 million, representing an increase of 7.1% compared to the corresponding period of 2020. Of which, the sales revenue of luxury and ultra-luxury cars was RMB30,621.9 million, representing an increase of 9.1% compared to the corresponding period of 2020, accounted for 92.7% of new automobile sales revenue. In the full year of 2021, the overall gross profit margin of new automobiles of the Group was 1.5% (2020: 1.2%).

During the Reporting Period, the Company cooperated with its controlling shareholder, China Grand Automotive Services Group Co., Ltd (“CGA”) to leverage the strength as core automobile dealers, and actively maintained close and effective communication and cooperation with various car manufacturers to secure more new automobile resources. At the same time, the Company timely followed up with the business policies of different brands and car models, and improved the price review of car models of best-selling brands to ensure the maximum support of the brand’s business policy. It reserved resources for best-selling brand models to steadily improve the sales revenue and the quality of new cars.

During the Reporting Period, through developing online channels, the Group increased the staff ratio of online sales and marketing, expanded new media channels and internet sales methods, and also optimized the content operation and user operation, so as to enhance interaction and communication with consumers. In addition, the Group utilised big data analysis to continuously increase the lead conversion rate, complete precise marketing and match transactions, which ultimately promoted sales rate for new automobiles.

## **After-sales services**

During the Reporting Period, the revenue of after-sales services was RMB4,523.4 million, representing a year-on-year increase of 5.9%, accounting for 12.0% of the total revenue of the Group. The gross profit of after-sales services was RMB1,755.4 million, representing a year-on-year increase of 28.6%, and the gross profit margin of after-sales services was 38.8%.

According to statistics from the Traffic Management Bureau of the Ministry of Public Security of China, by the end of 2021, the car ownership numbers in China had reached 302 million, and as the average vehicle age increases, the size of after-sales maintenance market for passenger vehicles in China will gradually expand to around RMB17,000 million in 2030. Of which, the profitability of the after-sales maintenance market for luxury car brands will be significantly higher than the market average.

During the Reporting Period, the after-sales service business of the Company achieved steady growth. Considering the loyalty and customized demands of customer of luxury car brands, the Company, on the one hand, expanded to a diverse range of after-sales service to satisfy demands of car owners. On the other hand, through its online service platform, the Company has improved the timeliness and convenience of the vehicle repair and maintenance for customers. Customers can also provide timely feedback on their maintenance experience and evaluation through the online service platform to help the Company provide better services and make improvements.

## **Derivative business**

During the Reporting Period, the Group timely adjusted its operating strategies according to the changes in market environment. In addition, the Group further improved the customer solicitation system, expanded internal customer maintenance and development of external after-sales customers, and actively launched sales activities for various products that helped to increase customer loyalty, and these enabled the derivative business to achieve stable growth. For the year ended 31 December 2021, the Group recorded a revenue of RMB1,012.3 million from automobile derivative business, representing a year-on-year decrease of 3.5%.

- **Automobile finance business**

During the Reporting Period, the Group recorded an income of financial services business of RMB358.1 million, representing an increase of 43.4% as compared to that of RMB249.8 million in 2020.

During the Reporting Period, the Group continued to optimize cooperation with cooperating institutions, paid close attention to the quality of auto finance business, and monitored and managed the business processes in real time to strengthen commission management. At the same time, the Group reduced micro-loans as appropriate, increased the structural proportion of long-term products, and achieved an increase in the proportion of the average financing scale.

- **Secondhand automobile business**

During the Reporting Period, the number of secondhand automobiles of the Group traded accumulated to 43,122 units, representing a year-on-year increase of 33.0%.

The secondhand automobile market in China is entering a new stage. According to China Automobile Circulation Association, the trading volume of secondhand automobiles in China reached 17.58 million units in 2021, representing a year-on-year increase of 22.62%.

During the Reporting Period, the Company proactively created a new retail business model for secondhand automobiles to realize online and offline integration, and actively facilitated the growth of derivative businesses such as automobile finance and insurance by increasing the scale of the secondhand automobile retail business, so as to further enhance the profitability of second-hand automobiles.

- **Insurance business**

During the Reporting Period, the commission income of the Group's insurance business was RMB560.8 million, representing a decrease of 19.2% as compared to that of RMB694.3 million in 2020.

During the Reporting Period, the Company continued to carry out refined management of insurance renewal business, and actively improved the insurance limit of third-party insurance and scratch insurance, increased the penetration rate of commercial insurance and non-auto insurance business, and expanded the types and scale of non-auto insurance to ensure the simultaneous improvement of renewal penetration rate and quality. In addition,



the Company and its controlling shareholders actively communicated with insurance companies to obtain more policy support to reduce the impact of the comprehensive reform of auto insurance implemented by the China Banking and Insurance Regulatory Commission (“CBIRC”).

## **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 of China, 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 based on the changes in the business environment, strived to adjust with the market demands and upgrade according to the manufacturers’ requirements on the basis of existing brands. Meanwhile, the Group also strengthened the policies 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. During the Reporting Period, the Group adjusted certain stores that had weaker profitability. 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.

As of 31 December 2021, the Group operated a total of 111 operating 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, Infiniti, Alfa Romeo, Porsche, Rolls Royce and Maserati).

## **Management Upgrade**

During the Reporting Period, the Group strengthened its adjustment on the high-profit high-ownership brand layout which included luxury brands. On the basis of existing stores, the Group implemented measures such as further optimizing its existing brand portfolio, as well as reducing brands with low asset operational efficiency, and thus improved the Group’s overall brand structure, in order to assist in sustainable increase of rate of return on investment of the Group’s overall assets in the future.

In addition, with regular focus on the improvement of operational efficiency, the Group also further strengthened internal refined management, enhanced the performance of the return on current assets, and improved the turnover rate of various current assets, so as to improve the use efficiency of working capital and to control financial costs in an effective manner through continuous optimization of financing structure.

## FUTURE OUTLOOK AND STRATEGIES

The luxury car market is expected to grow by 15% in 2022. Although the growth in market sales was restrained by the impact of the epidemic and the shortage of chips in 2020 and 2021 respectively, but the sales quality has greatly improved. The inventory of automobiles dealers is the lowest in recent years. In 2022, on top of the organic growth, car manufacturers will also have to fulfil the inventories demand of automobile dealers, therefore there is still room for growth in the market.

The Group will, as always, position itself as a service provider and dealer of luxury car brands. By strengthening the internal refined management and combining with improvement in management of brand business departments, the Company maintains its major business of automobile sales and services and its continuous rapid growth, with particular focus on the development of sales business for luxury brands. In addition, while the Group will constantly improve its operation and management system based on a digitalized system, it will also utilize resources comprehensively according to different automobile brands sold by the Company, and set up business departments for each car brand in respect of regional management, so as to achieve the usage of the Company's resources and to maximize synergies with the controlling shareholders.

Against the backdrop of low-speed yet steady growth of automobiles, such industry faces larger reform, computerization and electrification have caused changes to the market landscape. In 2022, the penetration rate of new energy vehicles in the global mainstream market is likely to break through the 10% threshold and will enter into a steep phase of S-shaped growth curve, where the penetration rate will accelerate which drives the post market. China is one of the most important market and production base in the world, and this may lead to substantial changes in industries such as fuel consumption of vehicles, automobile services, charging and replacement facilities, and household electricity consumption, and electric vehicles are also expected to become an important carrier of grid energy storage technology.

During the Reporting Period, the Group has reserved resources and teams for the current trend of new energy vehicles. The Group had in-depth communication and joint exploration with manufacturers of various emerging independent new energy brands, leading self-developed domestic brands as well as traditional international luxury brands in the field of new retail model for new energy vehicles. The Group will continue to explore future business opportunities for new energy service industry chain, focus on new energy vehicle models launched by manufactures of various brands, actively coordinate and continue to expand our sales ratio and service capabilities in new energy vehicle segment, so as to promote transformation of related traditional brands in the new energy and new retail businesses, as well as to create a full ecological service industry chain for new energy vehicle users.

The Group will uphold the principles of both people-oriented and customer-oriented, and it will enhance deep-level coordination with upstream and downstream along its industry chain. Through continuous optimization of refined management system, increase of operational and management efficiency, strengthening of core brand advantages, and full promotion of both internal and external digital transformation, the Group will also target for high quality and market-oriented so as to ensure the Group's healthy, sustainable and stable long-term development, and strives to become a luxury car dealer and service provider in the country with efficient operation and management, good shareholder returns as well as long-term sustainable development.

## FINANCIAL REVIEW

### Revenue

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

Revenue source	Year ended 31 December			
	2021		2020	
	Revenue (RMB'000)	Contribution to total revenue (%)	Revenue (RMB'000)	Contribution to total revenue (%)
<b>Automobile sales</b>	<b>33,024,027</b>	<b>87.9</b>	30,829,162	87.7
Luxury and ultra-luxury brands	<b>30,621,878</b>	<b>81.5</b>	28,078,632	79.9
Mid-to-upper market brands	<b>2,402,149</b>	<b>6.4</b>	2,750,530	7.8
<b>After-sales business</b>	<b>4,523,362</b>	<b>12.0</b>	4,269,980	12.2
Luxury and ultra-luxury brands	<b>4,233,949</b>	<b>11.2</b>	3,983,160	11.3
Mid-to-upper market brands	<b>289,413</b>	<b>0.8</b>	286,820	0.9
<b>Finance leasing services</b>	<b>35,255</b>	<b>0.1</b>	35,199	0.1
<b>Total revenue</b>	<b>37,582,644</b>	<b>100</b>	<b>35,134,341</b>	<b>100</b>

Revenue from the sales of automobiles increased by 7.1% as compared to the year ended 31 December 2020 due to the fact that during the Reporting Period, the sales volume of luxury car brands (mainly BMW and Jaguar & Land Rover) showed strong growth, resulting in a significant increase in the sales volume of new automobiles as compared to that for the year ended 31 December 2020, and that the Company constantly optimized its management level and improved business capability of each store.

Automobile sales generated a substantial portion of our revenue, accounting for 87.9% of our total revenue for the year ended 31 December 2021. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 81.5% (2020: 79.9%) and 6.4% (2020: 7.8%), respectively, of our total revenue.

Revenue from the after-sales business increased by 5.9% from RMB4,270.0 million for the year ended 31 December 2020 to RMB4,523.4 million for the same period in 2021.

### **Cost of sales and services**

For the year ended 31 December 2021, our cost of sales and services increased by 5.7%, from RMB33,384.3 million for the same period in 2020 to RMB35,296.9 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB32,519.6 million for the year ended 31 December 2021, representing an increase of RMB2,047.2 million, or 6.7%, from the same period in 2020. The cost of sales attributable to our after-sales business amounted to RMB2,767.9 million for the year ended 31 December 2021, representing a decrease of RMB137.6 million, or 4.7% from the same period in 2020.

### **Gross profit and gross profit margin**

Gross profit for the year ended 31 December 2021 was RMB2,285.8 million, representing an increase of RMB535.7 million or 30.6% from the same period in 2020 which was primarily due to the increase in revenue. Gross profit from automobile sales increased by 41.4% from RMB356.8 million for the year ended 31 December 2020 to RMB504.4 million for the same period in 2021. Gross profit from after-sales business increased by 28.6% from RMB1,364.5 million for the year ended 31 December 2020 to RMB1,755.4 million for the same period in 2021. Automobile sales and after-sales business contributed to 22.1% (2020: 20.4%) and 76.80% (2020: 78.0%), respectively, to the total gross profit for the year ended 31 December 2021.

Gross profit margin for the year ended 31 December 2021 was 6.1% (2020: 5.0%), of which the gross profit margin of automobile sales was 1.5% (2020: 1.2%) and of after-sales business was 38.8% (2020: 32.0%).

### **Other income and gains, net**

Other income and net gains increased by 2.6% from RMB1,082.4 million for the same period in 2020 to RMB1,110.8 million for the year ended 31 December 2021, mainly due to a decrease in loss on foreign exchange during the Reporting Period as compared to that of the same period in 2020.

## **Selling and distribution costs and administrative expenses**

For the year ended 31 December 2021, our selling and distribution costs increased by 9.2% to RMB1,211.2 million from RMB1,108.7 million for the same period in 2020. Our administrative expenses increased by 5.2% from RMB671.8 million for the same period in 2020 to RMB706.5 million.

## **Profit from operations**

As a result of the foregoing, our profit from operations for the year ended 31 December 2021 increased by 40.6% to RMB1,479.0 million from RMB1,052.0 million for the same period in 2020.

## **Finance costs**

Finance costs decreased by 7.5% from RMB646.3 million for the year ended 31 December 2020 to RMB598.0 million for the same period in 2021.

## **Profit for the year**

As a result of the cumulative effect of the foregoing, our profit for the year ended 31 December 2021 increased by 170.8% to RMB543.4 million from RMB200.7 million for the same period in 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash flow**

As at 31 December 2021, our cash and bank balances amounted to RMB1,701.1 million, representing a decrease of 12.6% from RMB1,945.6 million as at 31 December 2020.

Our primary uses of cash were to purchase 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 2021, our net cash generated from operating activities were RMB1,512 million (2020: RMB2,143 million).

## **Net current assets**

As at 31 December 2021, we had net current assets of RMB4,945.1 million, representing a decrease of RMB176.3 million from RMB5,121.4 million as at 31 December 2020.

## **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 2021, our total capital expenditures amounted to RMB596.7 million (2020: RMB479.4 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 29.3% from RMB3,934.6 million as at 31 December 2020 to RMB2,782.5 million as at 31 December 2021. During the Reporting Period, the Group implemented refined management and leveraged on the effect of synergy, as well as coordinated orders of automobiles and their spare parts through all distribution stores, so as to cope with the effect “chips shortage”.

Our average inventory turnover days for the year ended 31 December 2021 decreased to 34.3 days from 40.1 days in 2020. This was primarily due to the fact that we put more efforts on the analysis and forecast of the supply and demand plan for sales of new automobiles as well as enhanced quota management of the costs on inventory during the Reporting Period, which ensured the continuous optimization of our inventory structure to meet market demands, and also controlled financial costs.

## **Trade Receivables**

Trade receivables decreased from RMB406.7 million for the year ended 31 December 2020 to RMB377.0 million for the year ended 31 December 2021, primarily because during the Reporting Period, the Group put more effort in collecting the trade receivables, which led to a decrease of trade receivables of new automobiles.

## **Interest-bearing bank and other borrowings**

As at 31 December 2021, the Group's available and unutilised banking facilities amounted to approximately RMB7,530.1 million (31 December 2020: RMB8,474.7 million).

Our interest-bearing bank and other borrowings as at 31 December 2021 were RMB6,214.9 million, representing an increase of RMB165.6 million from RMB6,049.2 million as at 31 December 2020. The increase was mainly due to an increase in the Group's working capital needs 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, Loan Prime Rate, 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. We believe our operations currently are not subject to any significant and direct foreign exchange risk. We do not currently use any derivative financial instruments to hedge 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 and bills payables, other payables and accruals, non current amounts due to related parties less cash and bank balances. Our gearing ratio for the year ended 31 December 2021 was 63.7% (2020: 66.7%).

## **Human resources**

As at 31 December 2021, the Group had 7,041 employees (31 December 2020: 6,953). Total staff costs for the year ended 31 December 2021, excluding Directors' remuneration were approximately RMB1,112.7 million (2020: RMB958.2 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 2021, the Group had no significant contingent liabilities (31 December 2020: 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 2021, the pledged group assets amounted to approximately RMB5,562.4 million (31 December 2020: RMB6,779.2 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 2021.

### **Disposals**

The Group did not have any significant disposals of subsidiaries and affiliated companies during the year ended 31 December 2021.

## **INVESTMENT**

The Group did not have any significant investment during the year ended 31 December 2021.



## **EVENT AFTER THE REPORTING PERIOD**

The Board announces that, on 4 March 2022, the Company (as borrower) entered into a facility agreement (the “**Facility Agreement**”) with (among others) Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司) (“**SCBHK**”) as global coordinator, SCBHK and China Everbright Bank Company Limited, Shanghai Branch as mandated lead arranger and bookrunners, China Citic Bank Corporation Limited Suzhou Branch and China Guangfa Bank Co., Ltd, Shanghai Branch as lead arrangers, Industrial Bank Co., Ltd, Shanghai Branch as arranger, a syndicate of banks as original lenders, SCBHK as facility agent and SCBHK as security agent for a term loan facility in the aggregate amount of US\$130,000,000, while the aggregate amount may be increased by the Company in accordance with the Facility Agreement by an aggregate amount of not more than US\$150,000,000 (the “**Facilities**”). The Facilities are available for drawdown for a period of 7 months from the date of the Facility Agreement and the loans made under the Facility Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. China Grand Automotive Services Group Co., Ltd. (廣匯汽車服務集團股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297)) will provide joint and several liability guarantee for the Facilities. The purpose of the Facilities is (among others) to refinance the existing indebtedness of the Company and for general corporate purposes of the Group. For further details, please refer to the Company’s announcement dated 4 March 2022.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2021, 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**”) set out 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 2021, 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. Mr. Lu Wei, being the chairman and executive Director of the Company, is responsible for the operation and management of the Board. No chief executive officer has been appointed by the Company. 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 to regulate the conduct and drive the growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments 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**”) 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 2021.

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 2021 (2020: nil).

## **ANNUAL GENERAL MEETING**

The 2022 annual general meeting of the Company (the “**2022 AGM**”) will be held on Friday, 17 June 2022. Notice of the 2022 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 2022 AGM, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2022 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 Monday, 13 June 2022.

## **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 Ms. LIU Wenji (chairlady), Ms. LIU Yangfang and Mr. HO Hung Tim Chester, 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 2021, and is of the view that the Group’s consolidated financial statements for the year ended 31 December 2021 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 2021 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](http://www.hkexnews.hk)) and the Company ([www.klbaoxin.com](http://www.klbaoxin.com)). The annual report of the Company for the year ended 31 December 2021 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**  
**LU Wei**  
*Chairman*

Hong Kong, 30 March 2022

*As at the date of this announcement, the Company’s executive directors are Mr. LU Wei, Mr. WANG Xinming, Mr. LU Ao and Ms. XU Xing; and the independent non-executive directors are Ms. LIU Wenji, Ms. LIU Yangfang and Mr. HO Hung Tim Chester.*