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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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 2022, together with comparative figures for the corresponding period in 2021 as follows:

#### **FINANCIAL HIGHLIGHTS**

For the six months ended 30 June 2022:

- Total revenue was RMB14,650.4 million, in which the revenue from sales of motor vehicles was RMB12,864.6 million, and the after-sales services revenue was RMB1,764.7 million.
- Gross profit was RMB1,336.0 million and the gross profit margin was 9.1%.
- Profit attributable to owners of the parent was RMB538.7 million, representing an increase of 37.0% as compared to that for the six months ended 30 June 2021.
- Earnings per share attributable to ordinary equity holders of the parent were RMB0.19 (six months ended 30 June 2021 : RMB0.14).

## SUMMARY OF CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>
<b>REVENUE</b>	4(a)	<b>14,650,368</b>	19,890,951
Cost of sales and services provided	5(b)	<b>(13,314,343)</b>	(18,659,840)
<b>Gross profit</b>		<b>1,336,025</b>	1,231,111
Other income and gains, net	4(b)	<b>593,986</b>	633,706
Selling and distribution expenses		<b>(559,107)</b>	(601,656)
Administrative expenses		<b>(288,431)</b>	(379,741)
<b>Profit from operations</b>		<b>1,082,473</b>	883,420
Finance costs	6	<b>(263,776)</b>	(300,886)
Share of profits and losses of:			
Joint ventures		–	9,373
Associates		<b>5,976</b>	4,410
<b>Profit before tax</b>	5	<b>824,673</b>	596,317
Income tax expense	7	<b>(285,074)</b>	(207,453)
<b>Profit for the period</b>		<b>539,599</b>	388,864
<b>Attributable to:</b>			
Owners of the parent		<b>538,673</b>	393,065
Non-controlling interests		<b>926</b>	(4,201)
		<b>539,599</b>	388,864
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted			
– For profit for the period (RMB)	9	<b>0.19</b>	0.14

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 30 June 2022*

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>Profit for the period</b>	<b>539,599</b>	388,864
<b>Other comprehensive income</b>		
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	–	278
Reclassification adjustments for gains included in the consolidated statement of profit or loss	4,690	15,007
Exchange differences on translation of foreign operations	<b>(151,998)</b>	32,640
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<b>(147,308)</b>	47,925
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(147,308)</b>	47,925
<b>Total comprehensive income for the period</b>	<b>392,291</b>	436,789
<b>Attributable to:</b>		
Owners of the parent	391,365	440,990
Non-controlling interests	926	(4,201)
	<b>392,291</b>	436,789

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2022

		Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,396,664	3,443,928
Investment properties		394,316	394,316
Right-of-use assets		1,580,348	1,678,152
Goodwill		1,222,016	1,222,016
Other intangible assets		1,323,063	1,352,547
Prepayments and deposits		39,770	62,734
Finance lease receivables		80,086	79,609
Investments in joint ventures		102,248	102,248
Investments in associates		156,413	150,437
Deferred tax assets		159,251	225,677
		8,454,175	8,711,664
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	3,763,041	2,782,521
Trade receivables	<i>11</i>	512,237	376,991
Finance lease receivables		155,743	160,890
Prepayments, other receivables and other assets		9,299,657	11,062,847
Amounts due from related parties		51,461	47,568
Pledged deposits		1,806,597	3,249,125
Cash in transit		10,275	1,928
Cash and bank balances		1,061,799	1,701,133
		16,660,810	19,383,003
Total current assets			

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>12</i>	<b>5,368,501</b>	5,685,144
Trade and bills payables	<i>13</i>	<b>4,498,182</b>	6,845,486
Other payables and accruals		<b>854,867</b>	1,091,434
Derivative financial instruments		–	6,256
Lease liabilities		<b>160,909</b>	126,204
Amounts due to related parties		<b>185,065</b>	29,674
Income tax payable		<b>683,739</b>	653,713
		<hr/>	<hr/>
Total current liabilities		<b>11,751,263</b>	14,437,911
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>4,909,547</b>	4,945,092
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b>13,363,722</b>	13,656,756
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>12</i>	<b>643,558</b>	529,737
Other payables		<b>13,645</b>	9,675
Lease liabilities		<b>1,089,357</b>	1,179,119
Amounts due to related parties		<b>2,081,456</b>	2,796,549
Deferred tax liabilities		<b>468,771</b>	467,031
		<hr/>	<hr/>
Total non-current liabilities		<b>4,296,787</b>	4,982,111
		<hr/>	<hr/>
Net assets		<b>9,066,935</b>	8,674,645
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>23,277</b>	23,277
Reserves		<b>9,054,267</b>	8,662,902
		<hr/>	<hr/>
		<b>9,077,544</b>	8,686,179
		<hr/>	<hr/>
Non-controlling interests		<b>(10,609)</b>	(11,534)
		<hr/>	<hr/>
Total equity		<b>9,066,935</b>	8,674,645
		<hr/> <hr/>	<hr/> <hr/>

# 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 Act of the Cayman Islands. The registered address of the Company is P.O. Box 309, Uglan 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 2022 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”. 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 2021.

### 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 2021, 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	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The revised standards did not have any significant financial impact on the Group’s condensed consolidated interim financial information.

### 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 2022, major customers segment 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:

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b><i>Revenue from contracts with customers</i></b>		
Sales of motor vehicles	<b>12,864,646</b>	17,589,962
After-sales services	<b>1,764,654</b>	2,283,256
	<hr/>	<hr/>
<b><i>Revenue from other sources</i></b>		
Finance leasing services	<b>21,068</b>	17,733
	<hr/>	<hr/>
	<b>14,650,368</b>	19,890,951
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## Revenue from contracts with customers

Disaggregated revenue information

	<b>Unaudited For the six months ended 30 June 2022 <i>RMB'000</i></b>	Unaudited For the six months ended 30 June 2021 <i>RMB'000</i>
<b>Types of goods or service</b>		
Sale of motor vehicles	12,864,646	17,589,962
After-sales services	1,764,654	2,283,256
<b>Total</b>	<b>14,629,300</b>	19,873,218
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	12,864,646	17,589,962
Service rendered at a point in time	1,764,654	2,283,256
<b>Total</b>	<b>14,629,300</b>	19,873,218



(b) Other income and gains, net

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
Commission income	370,266	556,923
Bank interest income	10,141	12,272
Advertisement support received from motor vehicle manufacturers	10,755	9,421
Rental income*	32,700	29,078
Government grants**	47,267	48,362
Gain/(loss) on disposal of items of property, plant and equipment	374	(236)
Foreign exchange difference, net	125,961	(19,292)
Others	(3,478)	(2,822)
	<u>593,986</u>	<u>633,706</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):

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>(a) Employee benefit expense (including Directors' and chief executive's remuneration)</b>		
Wages and salaries	389,767	466,729
Other welfare	116,357	115,448
Equity-settled share option expense	—	522
	<u>506,124</u>	<u>582,699</u>
<b>(b) Cost of sales and services</b>		
Cost of sales of motor vehicles	12,236,476	17,291,664
Others	1,077,867	1,368,176
	<u>13,314,343</u>	<u>18,659,840</u>

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>(c) Other items</b>		
Depreciation of property, plant and equipment*	<b>133,558</b>	126,081
Amortisation of other intangible assets*	<b>31,120</b>	30,894
Advertisement and business promotion expenses	<b>115,241</b>	139,092
Auditor's remuneration	<b>3,050</b>	3,050
Bank charges	<b>10,999</b>	17,604
Foreign exchange difference, net	<b>(125,961)</b>	19,292
Depreciation of right-of-use assets*	<b>101,636</b>	111,571
Lease expenses*	<b>13,224</b>	9,806
Logistics and gasoline expenses	<b>26,190</b>	25,910
Office expenses	<b>7,580</b>	9,125
Impairment of financial assets:		
Impairment of trade receivables	<b>1,510</b>	789
Impairment of financial assets included in prepayments, other receivables and other assets	<b>(1,192)</b>	33,353
Impairment of financial lease receivables	<b>(919)</b>	1,470
Write-down of inventories to net realisable value**	<b>27,036</b>	27,954
(Gain)/loss on disposal of items of property, plant and equipment	<b>(374)</b>	236
Bank interest income	<b>(10,141)</b>	(12,272)
Government grants	<b>(47,267)</b>	(48,362)
Rental income	<b>(32,700)</b>	(29,078)

\* 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 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

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
Interest on bank and other borrowings (including amounts due to related parties)	227,771	261,110
Incl: loan arrangement fee	20,324	10,377
Interest on lease liabilities	36,005	39,776
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	<b>263,776</b>	300,886
	<hr/> <hr/>	<hr/> <hr/>

## 7. INCOME TAX

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
Current tax:		
Mainland China corporate income tax	216,908	158,049
Deferred tax	68,166	49,404
	<hr/>	<hr/>
Total tax charge for the period	<b>285,074</b>	207,453
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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 2021: 16.5%) during the period.

According to the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”), the uniform income tax rate is 25% (six months ended 30 June 2021: 25%), except for two subsidiaries in Xinjiang Uygur Autonomous Region which were exempted from income tax in the first five years and 15 subsidiaries in Sichuan Province which were entitled to income tax rate of 15% under the western development policy.

## 8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2021: 2,837,511,429) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021.

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

	<b>Unaudited For the six months ended 30 June 2022</b>	Unaudited For the six months ended 30 June 2021
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent (RMB'000)	<u><u>538,673</u></u>	<u><u>393,065</u></u>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<u><u>2,837,511,429</u></u>	<u><u>2,837,511,429</u></u>
<b>Earnings per share</b>		
Basic and diluted (RMB)	<u><u>0.19</u></u>	<u><u>0.14</u></u>

## 10. INVENTORIES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Motor vehicles	<b>3,434,486</b>	2,472,712
Spare parts and accessories	<b>355,890</b>	343,317
	<b>3,790,376</b>	2,816,029
	<b>27,335</b>	33,508
Less: provision for inventories	<b>3,763,041</b>	2,782,521

## 11. TRADE RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b>517,242</b>	380,635
Impairment	<b>(5,005)</b>	(3,644)
	<b>512,237</b>	376,991

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.

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

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>418,511</b>	311,100
More than 3 months but less than 1 year	<b>67,776</b>	37,991
Over 1 year	<b>25,950</b>	27,900
	<hr/>	<hr/>
	<b>512,237</b>	376,991
	<hr/> <hr/>	<hr/> <hr/>

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Unaudited As at 30 June 2022	
	Effective interest rate (%)	Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	1.8-7.1	2023	1,841,248
– secured	1.0-7.8	2023	861,418
– unsecured	6.6	On demand	29,000
– unsecured	3.9-7.3	2023	533,700
– guaranteed***	SOFR**+3.5	On demand	691,093
– secured and guaranteed	3.4-6.5	2023	460,991
			<hr/>
			4,417,450
			<hr/>
<b>Other borrowings</b>			
– guaranteed	3.7-8.8	2022	73,985
– secured	1.0-18.0	2023	607,124
– unsecured	4.6-8.5	2023	87,858
– secured and guaranteed	4.0-11.0	2023	182,084
			<hr/>
			951,051
			<hr/>
			5,368,501
			<hr/>
<b>Non-current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.3-4.9	2023-2025	307,113
– secured	6.4-8.0	2023-2025	336,445
			<hr/>
			643,558
			<hr/>
			6,012,059
			<hr/> <hr/>



**Audited**  
**As at 31 December 2021**

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

\* London Inter-Bank Offered Rate

\*\* The secured overnight financing rate (SOFR)

\*\*\* As at 30 June 2022, long term bank borrowings with an aggregate carrying amount of approximately US\$109,000,000 repayable in 2025 per loan agreements, with repayment on demand clause, have been classified as current liabilities as at 30 June 2022 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. Taking into account the Group's current financial position and recent positive feedbacks from the banks, the directors are very confident to believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

### 13. TRADE AND BILLS PAYABLES

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>408,287</b>	362,119
Bills payable	<b>4,089,895</b>	6,483,367
	<hr/>	<hr/>
Trade and bill payables	<b>4,498,182</b>	6,845,486
	<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>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>3,340,868</b>	6,037,489
3 to 6 months	<b>943,897</b>	613,726
6 to 12 months	<b>175,556</b>	177,736
Over 12 months	<b>37,861</b>	16,535
	<hr/>	<hr/>
	<b>4,498,182</b>	6,845,486
	<hr/> <hr/>	<hr/> <hr/>

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

### 14. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 30 June 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

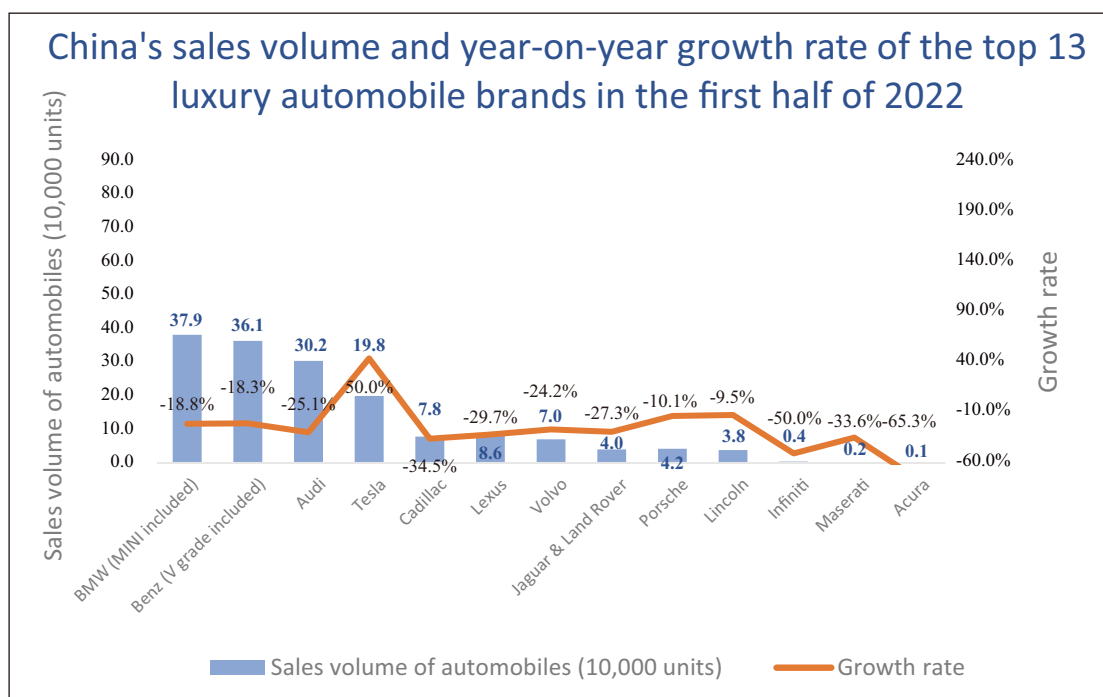
### INDUSTRY OVERVIEW

Looking back on the first half of 2022, the international environment has become more complex and severe due to more significant and negative impacts arising from unexpected factors including Russian-Ukrainian war crisis, new wave of the COVID-19 pandemic, and prevention and control policies. The economic development in China is facing highly adverse pressure of shrinking demand, supply shocks and lower expectations, causing a decline in supply and demand as well as a significant slowdown in economic growth. However, the effective control of the COVID-19 pandemic, in which local governments have adopted a series of favourable policies, has accelerated the resumption of work, production, business and market since May 2022, resulting in gradual recovery of the macroeconomy. According to data from the National Bureau of Statistics, China's GDP in the first half of 2022 was RMB56,264.2 billion, representing a year-on-year growth of 2.5%.

According to data from the China Association of Automobile Manufacturers (“CAAM”), from the first half of 2022, the production and sales volume of automobile in China were 12,117,000 units and 12,057,000 units, respectively, representing a year-on-year decrease of 3.7% and 6.6%, respectively. The production and sales of passenger vehicles were 10,434,000 units and 10,355,000 units, respectively, representing a year-on-year growth of 6.0% and 3.4%, respectively. According to data released by the Ministry of Public Security, in the first half of 2022, the number of new energy vehicles in China reached 10.01 million units, representing 3.23% of the total number of vehicles. Newly registered new energy vehicles were 2.209 million units, representing an increase of 1.106 million units or more than doubled compared to those in the same period last year, hitting a record high. It indicates that China's new energy vehicles are no longer a niche product, but an “alternative” for fuel vehicles welcomed by general consumers. It is undeniable that China's new energy vehicles will continue to maintain a rapid growth momentum.

In the first half of 2022, due to the impact of the pandemic, the sales volume of the luxury automobile market decreased, of which BMW (MINI included) sold 379,000 units, representing a year-on-year decrease of 19%; Audi sold 302,000 units, representing a year-on-year decrease of 25%; Benz (V grade included) sold 361,000 units, representing a year-on-year decrease of 18%. However, the sales volume of three luxury automobile brands, namely BMW, Benz and Audi (BBA) in June 2022 increased to approximately 70,000 units due to the effective control of the pandemic and a series of favourable policies introduced by the Government. The sales volume of BBA luxury automobile brands is expected to increase significantly in the second half of the year if their overall sales volume remains the same as those in the previous year.

Luxury automobile brands have always been the bellwether of the automobile market, of which BBA's sales performance is often regarded as a guide to market trends. In the first half of 2022, the domestic luxury automobile market has shown a decline due to factors such as the resurgence of the pandemic, which reflects the existing problems in the industry. For BBA, the key to success in the future depends on whether they can take the lead in the development of electrification. In June this year, the three luxury brands announced the commissioning or landing of their all-electric factories in China at about the same time. The investment of BMW, Benz and Audi in China's pure electric vehicle production bases amounted to RMB15 billion, RMB11.9 billion and RMB18.1 billion respectively. This not only demonstrates that China is of great strategic significance as the world's largest new energy vehicle market, but also shows that BBA has commenced to re-examine the future, in order to come up with a new strategy which can eliminate the competitors in respect of electrification and computerisation.



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

## **BUSINESS OVERVIEW**

During the period for the six months ended 30 June 2022 (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 safeguard the healthy, steady and sustainable growth of the Company in the long run.

During the Reporting Period, our revenue amounted to approximately RMB14,650.4 million, representing a year-on-year decrease of 26.3%; gross profit amounted to RMB1,336.0 million, representing a year-on-year increase of 8.5%; profit attributable to owners of the parent amounted to RMB538.7 million, representing a year-on-year increase of 37.0%, and earnings per share recorded RMB0.19.

### **New automobile sales**

During the Reporting Period, the Group sold a total of 39,950 units of new automobiles, representing a decrease of 27.5% compared to the corresponding period in 2021, and the Group recorded new automobile sales revenue of RMB12,864.6 million, representing a decrease of 26.9% compared to the corresponding period in 2021. The sales volume of luxury and ultra-luxury cars was 33,074 units, representing a decrease of 12,915 units compared to the corresponding period in 2021, and such sales revenue reached RMB11,938.4 million, representing a decrease of 27.0% compared to the corresponding period in 2021 and accounted for 92.8% of new automobile sales revenue. In the first half of 2022, the overall gross profit margin of new automobiles of the Group was 4.9%, representing an increase of 3.2 percentage points when compared to the corresponding period in 2021.

During the Reporting Period, facing the impact of the pandemic in China, in order to boost the automobile market, the national and local governments have introduced relevant favorable policies to stimulate the automobile consumer market, which includes several practical implementation policies such as relaxation on car purchase restriction, as well as reduction on purchase tax. With the support of domestic policies on automobile consumption, despite the overall situation of automobile consumption in the second quarter has not fully recovered when compared with the corresponding period of last year, however, the production volume of traditional passenger vehicle in China has had a year-on-year growth of 45.60% since June 2022, which was the highest growth rate since 2010, and it showed the importance of automobile consumption market on China’s economic development.

During the Reporting Period, due to the impact of pandemic prevention and control policies and lockdown measures in regions, such as Shanghai and Beijing, where luxury car brands are concentrated, as well as the effect of the shortage of chips and other materials in China, the automobile consumption market encountered several challenges. As a major domestic dealer of luxury car brands, and in response to the pandemic, the Group promptly adjusted its marketing strategies in a timely manner, and while the Group strengthened its efficient management and control of key luxury car brands, it also enhanced communication and coordination with all manufacturers for certain luxury car brands in advance, thus obtaining better resources. Moreover, the Group also increased its efforts on marketing activities mainly through online and new media, and with such the Group strived to minimize the impact of the pandemic. Meanwhile, under the frequent support from the favorable policies of the national and local governments, the customer traffic and orders of each 4S store under the Group recovered swiftly, with sales volume and after-sale services also steadily recovered.

### **After-sales services**

During the Reporting Period, the revenue of after-sales services was RMB1,764.7 million, representing a decrease of 22.7% compared to the corresponding period in 2021, accounting for 12.1% of the total revenue of the Group. The gross profit of after-sales services was RMB690.8 million, and the gross profit margin of after-sales services was 39.1%.

During the Reporting Period, in response to the periodical decline in business volume caused by the impact of the pandemic, the Group promptly strengthened the procurement control of parts and components and decorative supplies, and took advantage of the Group's business scale to prevent abnormal increase in inventory through centralized procurement and allocation of parts and components in various regions, so as to ensure continuous optimization of inventory structure. In the first half of 2022, under the premise of ensuring the quality, we also re-launched the bidding process for expired centralized procurement products, which further reduced the procurement cost of centralized procurement products.

At the same time, in order to reduce the impact of the pandemic on the maintenance business of the Group, the Group adjusted its strategy in a timely manner. In the early stage of the pandemic, the Group predicted that the subsequent customers might not be able to come to the store physically, and strengthened the launch of various omni-channel marketing activities with the core value of "new customers as the lead, customer retention as the support", increasing online publicity, broadening customer awareness, and targeting customers in advance. On the other hand, when the pandemic eased, the Group adopted "daily announcement of the employees' health", "360-degree disinfection of vehicles" and other measures to dispel customers' concerns, providing strong support for the rapid recovery of subsequent businesses, and ensuring the stability of our after-sales management.

## **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 enhancing customer stickiness and increasing revenue generated from its derivative businesses. During the Reporting Period, the commission income from the Group's automobile derivative businesses was RMB370.3 million, representing a decrease of 33.5% compared to the corresponding period in 2021.

During the Reporting Period, local governments successively introduced various supporting policies encouraging automobiles consumption, which particularly boosted the sales volume of luxury brands automobiles to a certain extent. We believe that the upgrading automobile consumption demand, extending product lines of luxury brands and diversified automobile finance products in the PRC will be the drivers for supporting the long-term growth of luxury brands automobiles in the future. During the Reporting Period, the Group recorded a commission income of financial services business of RMB189.0 million, representing an increase of 6.7% compared to RMB177.1 million in the first half of 2021.

During the Reporting Period, the Group actively studied the secondhand automobile policy newly introduced in the PRC, and utilized the industry stimulus policies issued by the local governments and host manufacturers at the same time, so as to continue to strengthen the replacement and acquisition of 4S store channels and achieve rapid and stable business development. In the meantime, the Group has also continuously upgraded its secondhand automobile management system, strengthened the construction of its core capabilities for secondhand automobiles, and continuously improved its evaluation, testing, pricing and disposal capabilities. Besides, the Group has always relied on its own professional and independent operation team to empower the 4S stores and to optimize the online and offline operation mechanism. By adjusting the brand structure and integrating resources, the Group continued to expand the current base customers, strived to increase the proportion of secondhand automobile retail business, and exerted complementary and synergistic effects to facilitate the growth of derivative businesses such as automobile finance and further increase the profitability of secondhand automobiles.

During the Reporting Period, due to the resurgence of COVID-19 pandemic and the overall decline in new automobile sales, the scale of the Company's insurance business declined. The commission income of the Group's insurance business was RMB46.9 million, representing a decrease of 49.6% as compared to that of RMB93.0 million in the first half of 2021. The commission income from extended warranty business was RMB91.3 million, representing a decrease of 62.5% as compared to that of RMB243.7 million in the first half of 2021.

## **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, the Group adhered to its strategic policy that emphasized on internal adjustment and adopted a more cautious attitude towards external network expansion. The Group strived to adjust with the demands of the market and the manufacturers on the basis of existing brands, remodelled and upgraded some of its existing 4S stores, 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. The Group refurbished and improved its existing stores, and managed to reduce capital expenditure of the Company while further raised the efficiency of capital usage.

As at 30 June 2022, the Group owned a total of 111 automobile dealership network and service stores and 10 portfolios of luxury and ultra-luxury automobile brands, namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Infiniti, Cadillac, 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, while the Group constantly improved its operation and management system based on a digitalized system, it also utilized resources comprehensively according to different automobile brands sold by the Company, and coordinated business departments for each car brand on the basis of regional management, so as to complement each other and maximize the Company's synergy effect.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2022, our revenue was RMB14,650.4 million, representing a decrease of approximately 26.3% as compared to the same period in 2021. The decrease was primarily due to the impact of resurgence of COVID-19 pandemic in China during the first half of the year which led to a decline of RMB4,725.3 million or 26.9%, in the Group's new automobile sales business, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2021.

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

Revenue Source	Unaudited For the six months ended 30 June 2022		Unaudited For the six months ended 30 June 2021	
	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile sales	12,864,646	87.8	17,589,962	88.4
After-sales services	1,764,654	12.1	2,283,256	11.5
Finance leasing services	21,068	0.1	17,733	0.1
Total	<u>14,650,368</u>	<u>100.0</u>	<u>19,890,951</u>	<u>100.0</u>

Automobile sales generated a substantial portion of our revenue, accounting for 87.8% of our total revenue for the six months ended 30 June 2022. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 92.8% (for the six months ended 30 June 2021: 93.0%) and 7.2% (for the six months ended 30 June 2021: 7.0%), respectively, of our revenue from the sales of automobiles. The decrease of revenue from the sales of automobiles of RMB4,725.3 million was mainly attributable to the impact of COVID-19 pandemic in China which led to city lockdown and home quarantines in several big cities during the Reporting Period.

Revenue from our after-sales services decreased by 22.7% from RMB2,283.3 million for the six months ended 30 June 2021 to RMB1,764.7 million for the same period in 2022. The relevant contribution of our after-sales services to our revenue increased from 11.5% for the six months ended 30 June 2021 to 12.1% for the same period in 2022. The Group always focuses on the development of after-sales services business and derivative business and strengthen the development of high-stickiness products to increase customer loyalty.

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

For the six months ended 30 June 2022, our cost of sales and services decreased by 28.7%, from RMB18,659.8 million for the same period in 2021 to RMB13,314.3 million, which was mainly attributable to the impact of COVID-19 pandemic during the Reporting Period, our revenue decreased and the corresponding cost also decreased.

The cost of sales and services attributable to our automobile sales business amounted to RMB12,236.5 million for the six months ended 30 June 2022, representing a decrease of RMB5,055.2 million, or 29.2%, as compared to the same period of 2021. The cost of sales and services attributable to our after-sales services amounted to RMB1,073.8 million for the six months ended 30 June 2022, representing a decrease of RMB289.8 million, from RMB1,363.7 million for the same period in 2021.

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

Gross profit for the six months ended 30 June 2022 was RMB1,336.0 million, representing an increase of RMB104.9 million, or 8.5%, from the same period in 2021. Gross profit from automobile sales increased by 110.6% from RMB298.3 million for the six months ended 30 June 2021 to RMB628.2 million for the same period in 2022. Gross profit from after-sales services decreased by 24.9% from RMB919.6 million for the six months ended 30 June 2021 to RMB690.8 million for the same period in 2022. Automobile sales and after-sales services contributed 47.0% and 51.7%, respectively, to the total gross profit for the six months ended 30 June 2022.

Gross profit margin for the six months ended 30 June 2022 was 9.1% as compared to 6.2% of the same period last year, of which the gross profit margin of automobile sales was 4.9%, representing an increase as compared to 1.7% of the same period last year, which was mainly attributable to the fact that the market was more in favor of mid-to-high configuration car models for some luxury brands, and the Group further increased efforts on price control for some luxury brands during the Reporting Period. The gross profit margin of after-sales services recorded a slight decrease to 39.1% as compared to 40.3% of the same period last year.

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

Other income and net gains decreased by 6.3% from RMB633.7 million for the six months ended 30 June 2021 to RMB594.0 million for the same period in 2022. The decrease was mainly attributable to the decrease in commission income during the Reporting Period.

### **Profit from operations**

As a result of the foregoing, our profit from operations for the six months ended 30 June 2022 increased by 22.5% from RMB883.4 million in the same period last year to RMB1,082.5 million.

### **Profit for the period**

As a result of the foregoing, our profit for the six months ended 30 June 2022 increased significantly by 38.8% from RMB388.9 million in the same period last year to RMB539.6 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Cash flow**

As at 30 June 2022, our cash and cash equivalents amounted to RMB1,061.8 million, representing a decrease of 37.6% from RMB1,701.1 million as at 31 December 2021. During the Reporting Period, the Group proactively reduced the scale of interest-bearing liabilities, strengthened the ability to prevent debt repayment risks, and improved the use efficiency of its own funds.

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 2022, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB535.4 million (for the six months ended 30 June 2021: generated from RMB1,056.0 million), RMB79.9 million (for the six months ended 30 June 2021: used in RMB150.1 million), and RMB1,101.5 million (for the six months ended 30 June 2021: used in RMB1,037.2 million), respectively.

## **Net current assets**

As at 30 June 2022, we had net current assets of RMB4,909.5 million, representing a decrease of RMB35.6 million from RMB4,945.1 million as at 31 December 2021.

## **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 2022, our total capital expenditure was RMB254.2 million (for the six months ended 30 June 2021: RMB308.8 million).

## **Inventory**

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

Our inventories were RMB3,763.0 million as at 30 June 2022, representing a 35.2% increase from RMB2,782.5 million as at 31 December 2021, and our average inventory turnover days increased from 34.3 days at 31 December 2021 to 44.2 days for the six months ended 30 June 2022, which was mainly due to the Group strengthened its procurement of some of the best-selling brands and car models after the post-pandemic period to cope with the rebound of the automobile market in the second half of the year.

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

As at 30 June 2022, the Group's available and unutilised banking facilities amounted to approximately RMB8,737.8 million (as at 31 December 2021: RMB7,530.1 million).

Our interest-bearing bank and other borrowings as at 30 June 2022 were RMB6,012.1 million, representing a decrease of RMB202.8 million from RMB6,214.9 million as at 31 December 2021. The decrease was mainly attributed to our initiative to proactively reduce the scale of interest-bearing liabilities and controlled interest expenses 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 loan prime rate and SOFR. Increases in interest rates could adversely affect our finance costs, profit and our financial condition.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. We believe our operations are not subject to any significant and direct foreign exchange risk currently. 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 as at 30 June 2022 was 53.2% (as at 31 December 2021: 63.7%).

### **Human resources**

As at 30 June 2022, the Group had approximately 7,472 employees (as at 30 June 2021: 7,042). Total staff costs for the six months ended 30 June 2022, excluding directors' remuneration, were approximately RMB502.2 million (for the six months ended 30 June 2021: RMB580.4 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 2022 and 31 December 2021, 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 2022, the pledged group assets amounted to approximately RMB 4,229.0 million (as at 31 December 2021: RMB5,562.4 million).

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

With effect from 13 June 2022, (i) Mr. Lu Wei resigned from his positions as the chairman of the Board, executive Director, a member of each of the nomination committee (the “**Nomination Committee**”) and the remuneration committee (the “**Remuneration Committee**”) of the Company and an authorised representative of the Company (the “**Authorised Representative**”) under Rule 3.05 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of the Hong Kong Limited (the “**Stock Exchange**”); (ii) Ms. Xu Xing was appointed as a member of each of the Nomination Committee and the Remuneration Committee; and (iii) Mr. Lu Ao was appointed as an Authorised Representative under Rule 3.05 of the Listing Rules.

With effect from 17 June 2022, (i) Mr. Ma Fujiang was appointed as the chairman of the Board, an executive Director, a member of each of the Nomination Committee and the Remuneration Committee of the Company and the Authorised Representative; (ii) Ms. Xu Xing ceased to act as a member of each of the Nomination Committee and the Remuneration Committee; and (iii) Mr. Lu Ao ceased to act as the Authorised Representative under Rule 3.05 of the Listing Rules.

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 Listing Rules during the six months ended 30 June 2022 and up to the date of this announcement.

### **Changes since 31 December 2021**

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 2021.

## **FUTURE OUTLOOK AND STRATEGIES**

### **OUTLOOK**

In the face of new opportunities and challenges, the Company will continue to position itself as a dealer and service provider of luxury car brands, and through enhancing the refined management of branding and regionalization, the Company steadily strengthens and improves the existing luxury brand structure, revitalizes its existing assets, and optimizes the brand structure as well as network distribution to continue improving the service capacity and customer loyalty.

At the same time, the Company is also aware that the growth rate of new energy vehicle models in luxury brands is higher than the overall market growth rate of luxury brands, and the luxury vehicles consumers have begun to fully adapt to new energy vehicle models. According to the data published by CAAM, the production and sales volume of new energy vehicles during the first half of this year was 2,661,000 units and 2,600,000 units respectively, representing a year-on-year growth of 1.2 times each, with market share reached 21.6%. Among which, the sales volume of new energy passenger vehicles accounted for 24% of total sales volume of passenger vehicles. In this market segment of new energy vehicles, traditional fuel vehicle luxury brands are also gradually making efforts. In the first half of this year, the BMW Group (寶馬集團) delivered approximately 378,700 units of vehicles in China in total, of which, the sales volume of pure electric vehicle model achieved a year-on-year growth of 74.6%, and five types of pure electric vehicle model, namely BMW iX3, BMW i3, BMW i4, BMW iX and BMW i7, were launched in the Greater China. The trend of electrification and computerization is getting stronger, which will inject new growth drivers into the market. According to the plan, the BMW brand intends to double its sales volume of pure electric vehicle in 2022 as compared with 2021, and by 2025, the BMW brand plans to deliver a total of 2,000,000 units of pure electric vehicles around the world.

In the future, the Group will continue to rely on its core resources and advantages, and while continuing the marketing and services of traditional luxury brand new energy vehicle models, the Company will also seize the opportunity to rearrange the new energy service industry chain, so as to adapt to the new development trend of future automobile industry. With the goal of providing high-quality services and a focus on achieving the Group's healthy, sustainable and stable long-term development, the Group strives to become a luxury car dealer and service provider in China with efficient operation management and long-term sustainable development.

## **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 2022 and up to the date of this announcement.

## **SIGNIFICANT INVESTMENTS**

During the six months ended 30 June 2022, 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 2022, 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 Part 2 of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, during the six months ended 30 June 2022, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision C.2.1.

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

## **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 2022.

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 2022 (for the six months ended 30 June 2021: 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 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 considered and reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 and are of the view that the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 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](http://www.hkexnews.hk)) and the Company ([www.klbaoxin.com](http://www.klbaoxin.com)). The interim report of the Company for the six months ended 30 June 2022 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**  
**Ma Fujiang**  
*Chairman*

Shanghai, the People’s Republic of China, 25 August 2022

*As at the date of this announcement, the Company’s executive directors are Mr. MA Fujiang, 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.*