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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 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Grand Baoxin Auto Group Limited (the “**Company**”) is hereby 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 2022 (the “**Reporting Period**”), as well as comparative figures for the corresponding period in 2021.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022:

- Total revenue was RMB31,698.7 million, in which the automobile sales was RMB27,948.0 million, and the after-sales revenue was RMB3,713.4 million.
- Gross profit was RMB463.4 million and the gross profit margin was 1.5%.
- Loss attributable to owners of the parent was RMB698.0 million, as compared to profit attributable to owners of the parent of RMB552.0 million for the year ended 31 December 2021.
- Loss per share attributable to ordinary equity holders of the parent were RMB0.25 (2021: earnings per share of RMB0.19).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

		2022	2021
	Notes	RMB'000	RMB'000
REVENUE	4(a)	31,698,687	37,582,644
Cost of sales and services provided	5(b)	(31,235,287)	(35,296,852)
Gross profit		463,400	2,285,792
Other income and gains, net	4(b)	1,281,086	1,110,849
Selling and distribution expenses		(1,160,253)	(1,211,204)
Administrative expenses		(626,622)	(706,461)
(Loss)/Profit from operations		(42,389)	1,478,976
Finance costs	6	(539,375)	(598,008)
Share of profits/(loss) of:			
Joint ventures		75	(1,430)
Associates		10,785	29,547
(Loss)/Profit before tax	5	(570,904)	909,085
Income tax expense	7	(129,576)	(365,726)
(Loss)/Profit for the year		(700,480)	543,359
Attributable to:			
Owners of the parent		(697,982)	551,986
Non-controlling interests		(2,498)	(8,627)
		(700,480)	543,359
(Loss)/Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For (loss)/profit for the year (RMB)	8	(0.25)	0.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(700,480)</u>	<u>543,359</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
Reclassification adjustments for gains included in the consolidated statement of profit or loss	4,691	29,213
Exchange differences on translation of financial statements	<u>(304,737)</u>	<u>90,418</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(300,046)</u>	<u>120,020</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(300,046)</u>	<u>120,020</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u><u>(1,000,526)</u></u>	<u><u>663,379</u></u>
Attributable to:		
Owners of the parent	(998,028)	672,006
Non-controlling interests	<u>(2,498)</u>	<u>(8,627)</u>
	<u><u>(1,000,526)</u></u>	<u><u>663,379</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		31 December 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,426,806	3,443,928
Investment properties		392,720	394,316
Right-of-use assets		1,577,322	1,678,152
Goodwill		1,222,016	1,222,016
Other intangible assets		1,291,848	1,352,547
Prepayments and deposits		52,610	62,734
Finance lease receivables		69,167	79,609
Investment in joint ventures		102,323	102,248
Investments in associates		127,524	150,437
Deferred tax assets		287,138	225,677
		<hr/>	<hr/>
Total non-current assets		8,549,474	8,711,664
CURRENT ASSETS			
Inventories	9	3,222,985	2,782,521
Trade receivables	10	484,894	376,991
Finance lease receivables		136,647	160,890
Financial assets at fair value through profit and loss		89,356	—
Prepayments, other receivables and other assets		9,488,041	11,062,847
Amounts due from related parties		49,957	47,568
Pledged deposits		2,646,629	3,249,125
Cash in transit		10,919	1,928
Cash and bank balances		496,110	1,701,133
		<hr/>	<hr/>
Total current assets		16,625,538	19,383,003

		31 December 2022	31 December 2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>11</i>	5,275,072	5,685,144
Trade and bills payables	<i>12</i>	6,375,288	6,845,486
Other payables and accruals		1,054,212	1,091,434
Lease liabilities		158,997	126,204
Amounts due to related parties		145,997	29,674
Derivative financial instruments		—	6,256
Income tax payable		595,340	653,713
		<hr/>	<hr/>
Total current liabilities		13,604,906	14,437,911
		<hr/>	<hr/>
NET CURRENT ASSETS		3,020,632	4,945,092
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,570,106	13,656,756
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>11</i>	446,975	529,737
Other payables		9,649	9,675
Lease liabilities		1,122,879	1,179,119
Deferred tax liabilities		454,037	467,031
Amounts due to related parties		1,862,447	2,796,549
		<hr/>	<hr/>
Total non-current liabilities		3,895,987	4,982,111
		<hr/>	<hr/>
Net assets		7,674,119	8,674,645
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		23,277	23,277
Reserves		7,664,875	8,662,902
		<hr/>	<hr/>
		7,688,152	8,686,179
		<hr/>	<hr/>
Non-controlling interests		(14,033)	(11,534)
		<hr/>	<hr/>
Total equity		7,674,119	8,674,645
		<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 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>Annual Improvements to HKFRSs 2018-2020</i>	<i>Onerous Contracts – Cost of Fulfilling a Contract Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The revised HKFRSs did not have any significant impact on the financial position and performance of the Group.

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sale of motor vehicles	27,948,010	33,024,027
After-sales services	3,713,369	4,523,362
<i>Revenue from other sources</i>		
Finance leasing services	37,308	35,255
	<u>31,698,687</u>	<u>37,582,644</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Types of goods or service		
Sale of motor vehicles	27,948,010	33,024,027
After-sales services	3,713,369	4,523,362
	<u>31,661,379</u>	<u>37,547,389</u>
Total revenue from contracts with customers	<u>31,661,379</u>	<u>37,547,389</u>
Timing of revenue recognition		
At a point in time	<u>31,661,379</u>	<u>37,547,389</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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Sale of motor vehicles	566,122	757,808
After-sales services	220,295	218,768
	<u>786,417</u>	<u>976,576</u>
Total contract liabilities	<u>786,417</u>	<u>976,576</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 generally arranges finance lease with a period of one to three 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:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Commission income	813,017	1,012,269
Advertisement support received from automobile manufacturers	20,672	23,834
Gross rental income from investment property operating leases*	17,512	19,097
Rental income from subleases	29,763	18,343
Government grants**	88,462	88,087
Bank interest income	20,753	22,280
Loss on disposal of items of property, plant and equipment	(3,356)	(6,158)
Fair value (loss)/gain on investment properties	(1,596)	963
Fair value gain on financial assets at fair value through profit and loss:	6,994	—
Foreign exchange differences, net	246,936	(65,477)
Gain on disposal of investment in an associate	42,743	—
Gain on termination of lease	5,300	—
Others	(6,114)	(2,389)
Total	<u>1,281,086</u>	<u>1,110,849</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. (LOSS)/PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(a) Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	820,304	854,558
Other welfare	250,501	261,580
Equity-settled share option expense	—	523
	<u>1,070,805</u>	<u>1,116,661</u>
(b) Cost of sales and services provided:		
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of sales of motor vehicles	28,811,632	32,519,644
Others	2,423,655	2,777,208
	<u>31,235,287</u>	<u>35,296,852</u>

(c) **Other items:**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation of property, plant and equipment*	268,401	258,599
Depreciation of right-of-use assets***	203,373	215,888
Amortisation of other intangible assets*	61,806	62,046
Advertisement and business promotion expenses	249,296	292,351
Auditor's remuneration	6,100	6,100
Bank charges	27,042	30,694
Foreign exchange differences, net	(246,936)	65,477
Lease payments not included in the measurement of lease liabilities*	26,854	20,519
Logistics and petroleum expenses	51,921	56,387
Office expenses	16,178	19,470
Impairment of financial assets:		
Impairment of trade receivables	721	11,186
Impairment of prepayments, other receivables and other assets	(3,637)	35,473
Impairment of finance lease receivables	(318)	3,644
Write-down of inventories to net realisable value**	73,675	33,587
Loss on disposal of items of property, plant and equipment	3,356	6,158
Gross rental income from investment properties	(17,512)	(19,097)
Rental income from subleases	(29,763)	(18,343)
Government grants	(88,462)	(88,087)
Fair value loss/(gain) on investment properties	1,596	(963)
Fair value gain on financial assets at fair value through profit and loss	(6,994)	—
Bank interest income	(20,753)	(22,280)
Gain on disposal of investment in an associate	(42,743)	—
	<u> </u>	<u> </u>

* The amount of these depreciation of property, plant and equipment, amortisation of other intangible assets, is 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 is 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 is 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank and other borrowings (including amounts due to related parties) <i>Incl: Loan arrangement fee</i>	465,133 21,827	520,312 19,793
Interest on lease liabilities	74,242	77,696
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	539,375	598,008
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7. INCOME TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax	204,031	301,701
Deferred tax	(74,455)	64,025
	<hr/>	<hr/>
Total tax charge for the year	129,576	365,726
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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 income tax at the rate of 16.5% (2021: 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% (2021: 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. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/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 2022 (2021: 2,837,511,429).

The exercise price of the share option was higher than the market stock price. No shares options were exercised during the year. Therefore, the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent	(697,982)	551,986
Shares		
Weighted average number of ordinary shares in issue during the year	2,837,511,429	2,837,511,429
(Loss)/Earnings per share		
Basic and diluted	(0.25)	0.19

9. INVENTORIES

	31 December 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
Motor vehicles	2,931,492	2,472,712
Spare parts, accessories and others	364,542	343,317
	3,296,034	2,816,029
Less: Provision for inventories	73,049	33,508
	3,222,985	2,782,521

10. TRADE RECEIVABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	489,026	380,635
Impairment	(4,132)	(3,644)
	484,894	376,991

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:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	402,353	311,100
More than 3 months but less than 1 year	54,362	37,991
Over 1 year	28,179	27,900
	484,894	376,991

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022		
	Effective interest rate (%)	Original maturity	<i>RMB'000</i>
Current			
Bank borrowings			
— guaranteed	3.9-7.1	2023	2,280,312
— guaranteed ***	SOFR*+3.5	On demand	727,103
— unsecured	6.6	On demand	29,000
— secured	3.7-7.2	2023	595,694
— unsecured	3.4-8.5	2023	163,529
— secured and guaranteed	3.7-7.1	2023	352,000
			<hr/> 4,147,638
Other borrowings			
— guaranteed	5.3-8.9	2023	292,294
— secured	1.0-9.7	2023	91,437
— unsecured	5.1-11.0	2023	17,824
— secured and guaranteed	7.0-9.0	2023	696,594
— unsecured	4.35	2023	29,285
			<hr/> 1,127,434
			<hr/> 5,275,072
Non-current			
Bank borrowings			
— secured	5.5-5.8	2024	243,805
— guaranteed	4.9	2024-2025	203,170
			<hr/> 446,975
			<hr/> 5,722,047 <hr/> <hr/>

31 December 2021

	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
— 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
			4,566,798
Other borrowings			
— 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
			1,118,346
			5,685,144
Non-current			
Bank borrowings			
— secured	6.4-8.0	2023	230,570
— guaranteed	4.9	2023-2025	299,167
			529,737
			6,214,881

* The secured overnight financing rate (SOFR)

** London Inter-Bank Offered Rate (LIBOR)

*** As at 31 December 2022, long term bank borrowings with an aggregate carrying amount of approximately USD109,000,000, which is repayable in March 2025 per loan agreements, with repayment on demand clause, have been classified as current liabilities in order to be 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 2022 has been waived.

12. TRADE AND BILLS PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Trade payables	405,903	362,119
Bills payable	5,969,385	6,483,367
	<hr/>	<hr/>
Trade and bills payables	6,375,288	6,845,486
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An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Within 3 months	4,864,325	6,037,489
3 to 6 months	1,332,940	613,726
6 to 12 months	163,473	177,736
Over 12 months	14,550	16,535
	<hr/>	<hr/>
	6,375,288	6,845,486
	<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 2022 (2021: Nil).

14. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

INDUSTRY OVERVIEW

Industry review

Looking back to 2022, China's economic and social development has been affected by multiple unexpected factors locally and internationally with unprecedented risks and challenges. The pressure of "shrinking demand, supply shock and weakening expectations" in China is still considerable, thus the foundation for recovery is not solid. However, China's economy remains resilient, promising and dynamic that there is no change in the fundamentals of long-term prosperity and the factors supporting high-quality development. According to the statistics from the National Bureau of Statistics, China's GDP in 2022 was RMB121 trillion, making a new record after achieving RMB100 trillion and RMB110 trillion in 2020 and 2021 respectively.

In 2022, automobiles in China experienced an unprecedented "shock" that a number of vehicle manufacturers as well as parts and components suppliers came to a standstill from March to April due to the pandemic and lockdown policies in various regions, together with the impact of the shortage of automotive chips, which further exacerbated the decline in the fuel vehicle market in the first half of 2022. However, with the introduction of the policy "to halve purchase tax" in 2022, clawback had been emerging in the vehicle market. From June to December, the number of vehicles sold increased by 1.452 million year-on-year since the introduction of the preferential purchase tax for vehicles. In particular, the sales volume of automobiles in December achieved the highest record for the year, of which the sales volume of passenger vehicles reached 2.52 million units, representing a month-on-month increase of 56% and a year-on-year increase of 12%, while the sale volume of luxury cars reached 341,000 units, representing a month-on-month increase of 16.2% and a year-on-year increase of 4.3%.

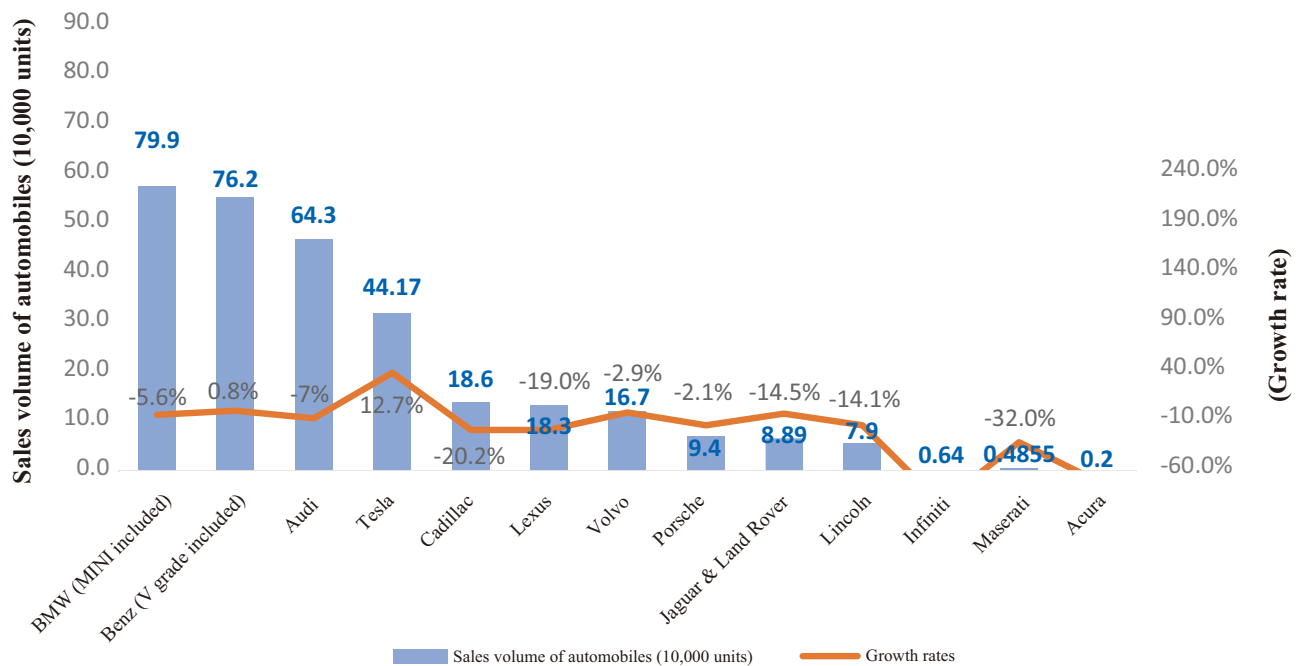
According to the data of China Association of Automobile Manufacturers, the production and sales volume of automobiles nationwide was 27.021 million units and 26.864 million units respectively, representing a year-on-year increase of 3.4% and 2.1% respectively, which resulted in a modest growth for the year. According to the statistics from the Ministry of Public Security, the production and sales volume of passenger vehicles in 2022 reached 23.836 million units and 23.563 million units respectively, representing a year-on-year increase of 11.2% and 9.5% respectively. The new energy vehicles market has been growing at a rapid pace. In 2022, the production and sales volume of new energy vehicles reached 7.058 million and 6.887 million units respectively, representing a year-on-year increase of 96.9% and 93.4% respectively, with a market share of 25.6%.

As for the luxury car market, in spite of the dominant position of first-tier luxury brands such as BMW, Benz and Audi in the market in terms of branding in 2022, they have all declined by varying degrees. The growth in the luxury car market is more dependent on the strength of the new energy luxury car market.

BMW continued to be the top selling luxury car brand in China for the fourth consecutive year thanks to the outstanding performance of its main selling models, of which the BMW 5 Series and BMW 3 Series took the top spot in the full-size luxury car market and the mid-size luxury car market, with BMW (MINI included) of 799,000 units sold. In 2022, the sales volume of Benz in China increased by 0.8% year-on-year to 762,000 units. In 2022, the sales volume of Audi decreased by 7% year-on-year to 643,000 units mainly affected by the pandemic and chip shortage.

The performance of the new energy market in 2022 was resilient, especially for new energy luxury cars. The consumer groups for both high-end new energy electric vehicles and luxury cars were highly identical. During 2022, Tesla delivered vehicles of 0.442 million units in Chian, representing an increase of 12.7% as compared to 2021.

China's sales volume and year-on-year growth rate of the top 13 luxury automobile brands in 2022



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

BUSINESS OVERVIEW

During the Reporting Period, under the impact of external adverse factors where most stores are affected by varying degrees, the Group emphasized automobile sales just as much as service quality in its policy concern. While focusing on the new automobile sales, the Group also strengthened the service quality of after-sales business 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 2022, our revenue amounted to approximately RMB31,698.7 million, representing a year-on-year decrease of 15.7%; gross profit amounted to RMB463.4 million, representing a decrease of 79.7%; loss attributable to equity holders amounted to RMB698.0 million, as compared to profit attributable to equity holders of RMB552.0 million for the year ended 31 December 2021, and loss per share recorded RMB0.25.

New automobile sales

During the Reporting Period, due to the serious impact of the pandemic and prevention and control policies in various regions, the Group's annual sales revenue of new automobiles in 2022 decreased significantly compared to that in 2021, in particular, the Group's sales network in northwestern, northern, southwestern and northeastern regions were affected by the recurring impact of sporadic pandemic as well as a long period of lockdown and control in the second half of the year, resulting in an extended period of receiving vehicles after customers' payment and delivering new vehicles to the stores, which had a significant impact on the normal operation of the Group's 4S stores in phases.

2023 Government Work Report stated that consumption in vehicles is essential for boosting domestic demand and consumption, and stabilizing industrial and economic development. During the Reporting Period, the central and regional governments launched a policy to subsidize new vehicles so as to boost consumption in vehicle markets. The Group has also paid attention to and improved its own ability in operation, and actively carried out online user marketing activities during the pandemic by strengthening communication with customers. It has locked up business opportunities in advance by means of pre-purchase, accelerated the launch of new vehicle leads, strengthened the conversion of transactions to promote the rapid release of high-quality vehicles in stock reserved in the early stage for the purpose of reducing the significant impact of the pandemic on new automobile sales business.

For the year ended 31 December 2022, the Group achieved new automobile sales revenue of RMB27,948.0 million, representing a year-on-year decrease of 15.4%, of which, the sales revenue of luxury and ultra-luxury cars was RMB25,955.4 million, representing a year-on-year decrease of 15.2%, which accounted for 92.9% of new automobile sales revenue. In the full year of 2022, the overall gross profit margin of new automobiles of the Group was -3.1%. (2021: 1.5%)

During the Reporting Period, the Group has accumulated certain experience in the sales and operation of new energy vehicles of luxury brands through strengthening communication and cooperation with various manufacturers of luxury automobile brands; during the Reporting Period, sales volume of new energy vehicles of various luxury brands of the Group increased by 44% year-on-year. At the same time, the Group is also actively exploring cooperation with various new energy brand manufacturers in other fields to seek new profit growth driver.

After-sales services

During the Reporting Period, the Group took advantage of its centralized procurement platform and business scale through centralized procurement and allocation of spare parts, consumables and other ancillary products for automobiles. While ensuring the quality of services and products, the Group was able to control its procurement costs efficiently and enhanced the profitability of its after-sales services business in order to achieve the goal of fine management.

In addition, the Group has increased the user rate of proactive booking on vehicle maintenance with an online service platform. It has also streamlined and controlled its existing business processes to provide customers with a high-quality service experience through “one-stop services” which consist of appointments, vehicle pick-up and return after maintenance.

Meanwhile, the Group has provided better services to customers by building a professional maintenance team with rich experience in the industry. In terms of after-sales skills enhancement, we have taken various measures to retain senior skilled personnel in a proactive manner on one hand. On the other hand, we have fully utilized their skills and strengths. Through measures such as online case sharing and technician coaching, the Group’s overall technical level is able to remain leading in the industry.

During the Reporting Period, the revenue of after-sales services was RMB3,713.4 million, representing a year-on-year decrease of 17.9%, accounting for 11.7% of the total revenue of the Group. The gross profit of after-sales services was RMB1,294.6 million, representing a year-on-year decrease of 26.3%, and the gross profit margin of after-sales services was 34.9%.

Derivative business

During the Reporting Period, the Group was affected by the impact of the outbreak and lockdown measures, of which, some stores have been affected for up to three months. For the year ended 31 December 2022, the income of the Group's automobile derivative businesses was RMB813.0 million, representing a year-on-year decrease of 19.7%.

- **Automobile finance business**

During the Reporting Period, the Group continued to enhance its resilience to risk in the corporate market, increase the ratio of marketing for its long-term products and improve the marketing skills of its corporate agency finance business. It also deepened regional cross-brand benchmarking in business and strengthened cooperative relationships with various banks. During the Reporting Period, the Group recorded an income of financial services business of RMB448.3 million.

- **Second-hand automobile business**

During the Reporting Period, the Group continued to reinforce the replacement and acquisition of 4S stores to achieve sustainable and stable development of its business in the stock market. It also strengthened its ability to evaluate, inspect, price and dispose of second-hand vehicles, established comprehensive management requirements for the acquisition and disposal of second-hand vehicles, and implemented standardized business control to ensure compliance and maximization of benefits for the business development.

- **Insurance business**

During the Reporting Period, new insurance business has been affected to a certain extent due to the pandemic. In this regard, the Group continued to strengthen its communication with insurance companies to secure policy support in various aspects such as commissions, claims and underwriting. It also ensured steady growth in the scale and quality of insurance renewal by increasing the conversion rates of new renewals, renewals of renewed insurance and clients under repair but not under insurance; and contributed to the rapid growth of non-auto insurance business by enriching the product line of non-auto insurance products. During the Reporting Period, the insurance commission income of the Group amounted to RMB283.6 million.

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 Group while further raised the efficiency of capital usage.

As of 31 December 2022, the Group operated a total of 107 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, while the Group constantly improved its operation and management system, it also utilized resources comprehensively according to different automobile brands sold by the Group, and coordinated business departments for each car brand on the basis of regional management, so as to complement each other and maximize the Group's synergy effect.

During the Reporting Period, the Group regularly focused on the improvement of operational efficiency, and further strengthened internal refined management and flattened management. The Group implemented the construction of financial management center and fund management center to unify the indicators of each 4S operating store, improve the analysis and management of costs and expenses, track the fixed costs and variable costs dynamically and strengthen the control of costs. Also, financial and capital resource sharing mechanism of each store has been improved to save duplicate expenses and enhance collaborative sharing effects to achieve the goal of reducing costs and increasing efficiency.

During the Reporting Period, the aggregate sales and management expenses of the Group amounting to RMB1.787 billion, representing a year-on-year decrease of 6.8%. In the future, the Group will continue to focus on the refined cost management to improve the overall cost efficiency of the enterprise.

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.

In terms of new automobile sales, trends such as younger users for luxury automobile brands, diversified channels to receive information and fragmented time of purchase are emerging. In the future, the Group will continue to develop customers through new channels such as vertical online platforms, we-media communications and group buying platforms. We will also build a professional external development and service team for “store customers without showroom” and develop information tools to provide customers with interactive experiences throughout the entire sales process of new automobiles, so as to satisfy customers’ purchase experience in a more comprehensive manner and constantly improve the “new retail” model of customer service experience.

The Company is also aware that the competition for new technologies has entered a new phase, with a higher growth rate of new energy vehicle models in luxury brands than that of the overall vehicle market in luxury brands. BMW, one of the first luxury brands to launch in the field of new energy electrification as a “century-old luxury brand”, has made a quick response by launching the BMW i7 premium model, and it is expected that pure electric vehicles will account for a quarter of sales in China by 2025. The BMW’s “new-generation” model was launched in the same year. In addition, BMW continues to promote the sales and service network upgrade across China ranging from training, personalized service, charging network, energy conservation and emission reduction, in order to promote the changes and reform of the dealer system. As a major domestic dealer for BMW and other major luxury automobile brands, the Group will undoubtedly benefit.

In addition, the Company expects that in the context of the intelligent and electrified era, with the acceleration of investment in new energy vehicle models by various luxury brands, the future automobile consumption market in China will show differentiated development trends. In the cities with license plate restrictions and certain mainstream markets with a foundation for new energy consumption, especially in the luxury brand sector, the ownership of new energy vehicle models will increase rapidly. At the same time, as the Company increases cooperation with various manufacturers of luxury automobile brands in the new energy field, this will inevitably promote the development of the Company’s related business.

In the future, the Group will continue to rely on its core resources and advantages with a more open and inclusive attitude in facing of the development and changes of the automotive consumption market, and while continuing the marketing and services of traditional luxury brand new energy vehicle models, it will also seize the opportunity to explore future business development opportunities in the new energy service industry chain continuously, and seize the key new energy vehicle models launched by various manufacturers of luxury automobile brands, continuously increase our sales proportion and service capabilities in new energy vehicles field,, so as to adapt to the new development trend of future automobile industry and build a new energy user rights ecological service industry chain. 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.

FINANCIAL REVIEW

Revenue

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

Revenue source	Year ended 31 December			
	2022		2021	
	Revenue (RMB'000)	Contribution to total revenue (%)	Revenue (RMB'000)	Contribution to total revenue (%)
Automobile sales	27,948,010	88.2	33,024,027	87.9
Luxury and ultra-luxury brands	25,955,432	81.9	30,621,878	81.5
Mid-to-upper market brands	1,992,578	6.3	2,402,149	6.4
After-sales business	3,713,369	11.7	4,523,362	12.0
Luxury and ultra-luxury brands	3,508,409	11.1	4,233,949	11.2
Mid-to-upper market brands	204,960	0.6	289,413	0.8
Finance leasing services	37,308	0.1	35,255	0.1
Total revenue	31,698,687	100	37,582,644	100

Revenue from the sales of automobiles decreased by 15.4% as compared to the year ended 31 December 2021 due to the fact that during the Reporting Period, the Group's sales networks located in northwestern, northern, southwestern and northeastern regions were adversely affected by the pandemic as well as local prevention and control policies, which had a major impact on the normal operation of 4S stores in stages. In addition, the above unexpected factors also led to an extended period of customers' payment and delivery of new vehicles to the stores, which resulted in a significant decrease in new automobile sales revenue and after-sales revenue compared to the year ended 31 December 2021.

Automobile sales generated a substantial portion of our revenue, accounting for 88.2% of our total revenue for the year ended 31 December 2022. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 81.9% (2021: 81.5%) and 6.3% (2021: 6.4%), respectively, of our total revenue.

Revenue from the after-sales business decreased by 17.9% from RMB4,523.4 million for the year ended 31 December 2021 to RMB3,713.4 million for the same period in 2022.

Cost of sales and services

For the year ended 31 December 2022, our cost of sales and services decreased by 11.5%, from RMB35,296.9 million for the same period in 2021 to RMB31,235.3 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB28,811.6 million for the year ended 31 December 2022, representing a decrease of RMB3,708.0 million, or 11.4%, from the same period in 2021. The cost of sales attributable to our after-sales business amounted to RMB2,418.7 million for the year ended 31 December 2022, representing a decrease of RMB349.2 million, or 12.6% from the same period in 2021.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2022 was RMB463.4 million, representing a decrease of RMB1,822.4 million or 79.7% from the same period in 2021 which was primarily due to the decrease in revenue. Gross profit from automobile sales decreased RMB1,368.0 million from RMB504.4 million for the year ended 31 December 2021 to gross loss of negative RMB863.6 million for the same period in 2022. Gross profit from after-sales business decreased by 26.2% from RMB1,755.4 million for the year ended 31 December 2021 to RMB1,294.7 million for the same period in 2022.

Gross profit margin for the year ended 31 December 2022 was 1.5% (2021: 6.1%), of which we recorded negative gross margin of automobile sales of -3.1% (2021: positive gross profit margin of 1.5%) and of after-sales business was 34.9% (2021: 38.8%).

Other income and gains, net

Other income and net gains increased by 15.3% from RMB1,110.8 million for the same period in 2021 to RMB1,281.1 million for the year ended 31 December 2022, mainly due to an increase in gain on foreign exchange during the Reporting Period as compared to that of the same period in 2021.

Among the other income and net gains, a net gain on foreign exchange differences of RMB246.9 million is recorded for the year ended 31 December 2022, as compared to a net loss on foreign exchange differences of RMB65.5 million for the year ended 31 December 2021, which was resulted from exchange rate fluctuations for foreign currency borrowings.

Selling and distribution costs and administrative expenses

For the year ended 31 December 2022, our selling and distribution costs decreased by 4.2% to RMB1,160.3 million from RMB1,211.2 million for the same period in 2021. Our administrative expenses decreased by 11.3% from RMB706.5 million for the same period in 2021 to RMB626.6 million.

Loss from operations

As a result of the foregoing, our loss from operations for the year ended 31 December 2022 was RMB42.4 million as compared with a profit from operations of RMB1,479.0 million for the same period in 2021.

Finance costs

Finance costs decreased by 9.8% from RMB598.0 million for the year ended 31 December 2021 to RMB539.4 million for the same period in 2022.

Income tax

Income tax decreased by 64.6% from RMB365.7 million for the year ended 31 December 2021 to RMB129.6 million for the same period in 2022.

Loss for the year

As a result of the cumulative effect of the foregoing, our loss for the year ended 31 December 2022 was RMB700.5 million as compared with a profit for the year of RMB543.4 million in 2021.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2022, our cash and bank balances amounted to RMB496.1 million, representing a decrease of 70.8% from RMB1,701.1 million as at 31 December 2021.

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 2022, our net cash generated from operating activities were RMB776 million (2021: RMB1,512 million).

Net current assets

As at 31 December 2022, we had net current assets of RMB3,020.6 million, representing a decrease of RMB1,924.5 million from RMB4,945.1 million as at 31 December 2021.

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 2022, our total capital expenditures amounted to RMB549.0 million (2021: RMB596.7 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 increased by 15.8% from RMB2,782.5 million as at 31 December 2021 to RMB3,223.0 million as at 31 December 2022. Due to the impact of the pandemic during the Reporting Period, the new automobile sales did not meet expectation and caused a higher inventory level.

Our average inventory turnover days for the year ended 31 December 2022 increased to 34.6 days from 34.3 days in 2021.

Trade Receivables

Trade receivables increased from RMB377.0 million for the year ended 31 December 2021 to RMB484.9 million for the year ended 31 December 2022.

Interest-bearing bank and other borrowings

As at 31 December 2022, the Group's available and unutilised banking facilities amounted to approximately RMB7,272.8 million (31 December 2021: RMB7,530.1 million).

Our interest-bearing bank and other borrowings as at 31 December 2022 were RMB5,722.0 million, representing a decrease of RMB492.9 million from RMB6,214.9 million as at 31 December 2021. The decrease was mainly due to the impact of the pandemic during the Reporting Period, leading a decline in the overall operations of each 4S store and the funding demands.

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 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 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 2022 was 65.4% (2021: 63.7%).

Human resources

As at 31 December 2022, the Group had 6,785 employees (31 December 2021: 7,041). Total staff costs for the year ended 31 December 2022, excluding Directors' remuneration were approximately RMB1,067.3 million (2021: RMB1,112.7 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 2022, the Group had no significant contingent liabilities (31 December 2021: 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 2022, the pledged group assets amounted to approximately RMB6,242.7 million (31 December 2021: RMB5,562.4 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 2022.

Disposals

The Group did not have any significant disposals of subsidiaries and affiliated companies during the year ended 31 December 2022.

INVESTMENT

The Group did not have any significant investment during the year ended 31 December 2022.

EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 31 December 2022 and up to the date of this announcement.

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

During the year ended 31 December 2022, 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 Part 2 of 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 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 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 2022.

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 did not recommend the payment of final dividend for the year ended 31 December 2022 (2021: nil).

ANNUAL GENERAL MEETING

The 2023 annual general meeting of the Company (the “**2023 AGM**”) will be held on Thursday, 15 June 2023. Notice of the 2023 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 2023 AGM, the register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2023 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 Friday, 9 June 2023.

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 2022, and is of the view that the Group’s consolidated financial statements for the year ended 31 December 2022 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 2022 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Messrs. Ernst & Young ("EY"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by EY on this preliminary announcement.

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

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.klbaoxin.com). The annual report of the Company for the year ended 31 December 2022 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
MA Fujiang
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the executive Directors are Mr. MA Fujiang, Mr. BAO Xiangyi, 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.