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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 2023

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 2023, together with comparative figures for the corresponding period in 2022 as follows:

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023:

- Total revenue was RMB15,970.0 million, in which the revenue from sales of motor vehicles was RMB13,849.3 million, and the after-sales services revenue was RMB2,098.3 million.
- Gross profit was RMB907.7 million and the gross profit margin was 5.7%.
- Profit attributable to owners of the parent was RMB323.5 million, representing a decrease of 39.9% as compared to that for the six months ended 30 June 2022.
- Earnings per share attributable to ordinary equity holders of the parent were RMB0.11 (six months ended 30 June 2022 : RMB0.19).

SUMMARY OF CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	<i>Notes</i>	Unaudited For the six months ended 30 June 2023 RMB '000	Unaudited For the six months ended 30 June 2022 RMB '000
REVENUE	<i>4(a)</i>	15,970,009	14,650,368
Cost of sales and services provided	<i>5(b)</i>	<u>(15,062,330)</u>	<u>(13,314,343)</u>
Gross profit		907,679	1,336,025
Other income and gains, net	<i>4(b)</i>	701,904	593,986
Selling and distribution expenses		(530,861)	(559,107)
Administrative expenses		<u>(298,032)</u>	<u>(288,431)</u>
Profit from operations		780,690	1,082,473
Finance costs	<i>6</i>	(295,537)	(263,776)
Share of profits and losses of:			
Joint ventures		113	–
Associates		<u>(151)</u>	<u>5,976</u>
Profit before tax	<i>5</i>	485,115	824,673
Income tax expense	<i>7</i>	<u>(160,957)</u>	<u>(285,074)</u>
Profit for the period		<u>324,158</u>	<u>539,599</u>
Attributable to:			
Owners of the parent		323,548	538,673
Non-controlling interests		<u>610</u>	<u>926</u>
		<u>324,158</u>	<u>539,599</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the period (RMB)	<i>9</i>	<u>0.11</u>	<u>0.19</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Profit for the period	<u>324,158</u>	<u>539,599</u>
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Reclassification adjustments for gains included in the consolidated statement of profit or loss	–	4,690
Exchange differences on translation of foreign operations	<u>(114,936)</u>	<u>(151,998)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(114,936)</u>	<u>(147,308)</u>
Other comprehensive loss for the period, net of tax	<u>(114,936)</u>	<u>(147,308)</u>
Total comprehensive income for the period	<u>209,222</u>	<u>392,291</u>
Attributable to:		
Owners of the parent	208,612	391,365
Non-controlling interests	<u>610</u>	<u>926</u>
	<u>209,222</u>	<u>392,291</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2023

		Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		3,376,509	3,426,806
Investment properties		392,720	392,720
Right-of-use assets		1,466,128	1,577,322
Goodwill		1,222,016	1,222,016
Other intangible assets		1,262,144	1,291,848
Prepayments and deposits		53,510	52,610
Finance lease receivables		77,456	69,167
Investments in joint ventures		102,436	102,323
Investments in associates		127,372	127,524
Deferred tax assets		247,348	287,138
		<hr/>	<hr/>
Total non-current assets		8,327,639	8,549,474
CURRENT ASSETS			
Inventories	<i>10</i>	3,464,306	3,222,985
Trade receivables	<i>11</i>	516,471	484,894
Finance lease receivables		126,787	136,647
Prepayments, other receivables and other assets		8,440,934	9,488,041
Amounts due from related parties		56,081	49,957
Equity investment at fair value through profit or loss		125,999	89,356
Pledged deposits		1,403,202	2,646,629
Cash in transit		9,136	10,919
Cash and bank balances		399,695	496,110
		<hr/>	<hr/>
Total current assets		14,542,611	16,625,538

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>12</i>	5,657,768	5,275,072
Trade and bills payables	<i>13</i>	3,663,684	6,375,288
Other payables and accruals		865,350	1,054,212
Lease liabilities		173,872	158,997
Amounts due to related parties		338,565	145,997
Income tax payable		642,369	595,340
		<u>11,341,608</u>	<u>13,604,906</u>
Total current liabilities			
		<u>11,341,608</u>	<u>13,604,906</u>
NET CURRENT ASSETS			
		<u>3,201,003</u>	<u>3,020,632</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES			
		11,528,642	11,570,106
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>12</i>	540,719	446,975
Other payables		9,744	9,649
Lease liabilities		1,016,149	1,122,879
Amounts due to related parties		1,630,779	1,862,447
Deferred tax liabilities		447,910	454,037
		<u>3,645,301</u>	<u>3,895,987</u>
Total non-current liabilities			
		<u>3,645,301</u>	<u>3,895,987</u>
Net assets		<u>7,883,341</u>	<u>7,674,119</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		23,277	23,277
Reserves		7,873,487	7,664,875
		<u>(13,423)</u>	<u>(14,033)</u>
Non-controlling interests			
		<u>(13,423)</u>	<u>(14,033)</u>
Total equity		<u>7,883,341</u>	<u>7,674,119</u>

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 2023 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 2022.

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 2022, 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.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1, HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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 2023, 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:

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Revenue from contracts with customers		
Sales of motor vehicles	13,849,272	12,864,646
After-sales services	<u>2,098,268</u>	<u>1,764,654</u>
Revenue from other sources		
Finance leasing services	<u>22,469</u>	<u>21,068</u>
	<u>15,970,009</u>	<u>14,650,368</u>

Revenue from contracts with customers

Disaggregated revenue information

	Unaudited For the six months ended 30 June 2023 <i>RMB'000</i>	Unaudited For the six months ended 30 June 2022 <i>RMB'000</i>
Types of goods or service		
Sale of motor vehicles	13,849,272	12,864,646
After-sales services	<u>2,098,268</u>	<u>1,764,654</u>
Total	<u>15,947,540</u>	<u>14,629,300</u>
Timing of revenue recognition		
Goods transferred at a point in time	13,849,272	12,864,646
Service rendered at a point in time	<u>2,098,268</u>	<u>1,764,654</u>
Total	<u>15,947,540</u>	<u>14,629,300</u>

(b) Other income and gains, net

	Unaudited For the six months ended 30 June 2023 <i>RMB'000</i>	Unaudited For the six months ended 30 June 2022 <i>RMB'000</i>
Commission income	474,525	370,266
Bank interest income	6,224	10,141
Advertisement support received from motor vehicle manufacturers	8,742	10,755
Gross rental income from investment property operating leases	1,395	1,393
Rental income from subleases*	24,322	31,307
Government grants**	37,808	47,267
(Loss)/gain on disposal of items of property, plant and equipment	(3,480)	374
Fair value gain on financial assets at fair value through profit or loss	36,643	–
Foreign exchange difference, net	104,965	125,961
Gain on termination of lease	8,382	614
Others	2,378	(4,092)
	<u>701,904</u>	<u>593,986</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):

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
(a) Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	388,497	389,767
Other welfare	<u>113,039</u>	<u>116,357</u>
	<u>501,536</u>	<u>506,124</u>
(b) Cost of sales and services		
Cost of sales of motor vehicles	13,616,660	12,236,476
Others	<u>1,445,670</u>	<u>1,077,867</u>
	<u>15,062,330</u>	<u>13,314,343</u>

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
(c) Other items		
Depreciation of property, plant and equipment*	139,580	133,558
Amortisation of other intangible assets*	31,119	31,120
Advertisement and business promotion expenses	97,540	115,241
Auditor's remuneration	3,050	3,050
Bank charges	15,248	10,999
Foreign exchange difference, net	(104,965)	(125,961)
Depreciation of right-of-use assets*	90,264	101,636
Lease expenses*	18,676	13,224
Logistics and gasoline expenses	13,919	26,190
Office expenses	7,304	7,580
Impairment of financial assets:		
Impairment of trade receivables	340	1,510
Impairment of financial assets included in prepayments, other receivables and other assets	526	(1,192)
Impairment of financial lease receivables	2,429	(919)
Write-down of inventories to net realisable value**	57,974	27,036
Loss/(gain) on disposal of items of property, plant and equipment	3,480	(374)
Gross rental income from investment properties	(1,395)	(1,393)
Fair value gain on financial assets at fair value through profit or loss	(36,643)	–
Bank interest income	(6,224)	(10,141)
Government grants	(37,808)	(47,267)
Gain on termination of lease	(8,382)	(614)
Rental income from subleases	(24,322)	(31,307)

* 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

	Unaudited For the six months ended 30 June 2023 <i>RMB'000</i>	Unaudited For the six months ended 30 June 2022 <i>RMB'000</i>
Interest on bank and other borrowings (including amounts due to related parties)	262,703	227,771
Incl: loan arrangement fee	9,844	20,324
Interest on lease liabilities	32,834	36,005
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	295,537	263,776
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX

	Unaudited For the six months ended 30 June 2023 <i>RMB'000</i>	Unaudited For the six months ended 30 June 2022 <i>RMB'000</i>
Current tax:		
Mainland China corporate income tax	127,294	216,908
Deferred tax	33,663	68,166
	<hr/>	<hr/>
Total tax charge for the period	160,957	285,074
	<hr/> <hr/>	<hr/> <hr/>

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

The subsidiaries incorporated in Hong Kong are subject to an income tax at the rate of 16.5% (six months ended 30 June 2022: 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 2022: 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 2023 (six months ended 30 June 2022: 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 2022: 2,837,511,429) in issue during the period.

The exercise price of the share option was higher than the market stock price. No share options were exercised during the period. Therefore, the Group had no potentially dilutive ordinary shares in issue during the periods for the six months ended 30 June 2023 and 2022.

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

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	<u><u>323,548</u></u>	<u><u>538,673</u></u>
Shares		
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>
Earnings per share		
Basic and diluted (RMB)	<u><u>0.11</u></u>	<u><u>0.19</u></u>

10. INVENTORIES

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Motor vehicles	3,145,327	2,931,492
Spare parts and accessories	378,980	364,542
	<u>3,524,307</u>	<u>3,296,034</u>
Less: provision for inventories	<u>60,001</u>	<u>73,049</u>
	<u>3,464,306</u>	<u>3,222,985</u>

11. TRADE RECEIVABLES

	Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Trade receivables	520,930	489,026
Impairment	<u>(4,459)</u>	<u>(4,132)</u>
	<u>516,471</u>	<u>484,894</u>

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:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	435,084	402,353
More than 3 months but less than 1 year	46,723	54,362
Over 1 year	34,664	28,179
	<u>516,471</u>	<u>484,894</u>

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Unaudited As at 30 June 2023	
	Effective interest rate (%)	Original maturity	<i>RMB'000</i>
Current			
Bank borrowings			
– guaranteed	3.9-6.7	2024	1,975,889
– secured	3.7-7.2	2024	173,042
– unsecured	6.6	On demand	29,000
– unsecured	3.4-8.5	2024	203,688
– guaranteed**	SOFR*+3.5	On demand	760,879
– secured and guaranteed	3.7-7.1	2024	<u>1,001,300</u>
			<u>4,143,798</u>
Other borrowings			
– secured	7.0-8.5	2024	132,890
– unsecured	6.2-7.9	2024	125,010
– secured and guaranteed	4.1-9.0	2024	<u>1,256,070</u>
			<u>1,513,970</u>
			<u>5,657,768</u>
Non-current			
Bank borrowings			
– guaranteed	4.9	2025	138,283
– secured	4	2025	26,436
– secured and guaranteed	4.8-5.5	2024-2026	<u>376,000</u>
			<u>540,719</u>
			<u><u>6,198,487</u></u>

Audited
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	<u>352,000</u>
			<u>4,147,638</u>
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	<u>29,285</u>
			<u>1,127,434</u>
			<u>5,275,072</u>
Non-current			
Bank borrowings			
– guaranteed	5.5-5.8	2024	243,805
– secured	4.9	2024-2025	<u>203,170</u>
			<u>446,975</u>
			<u><u>5,722,047</u></u>

* The secured overnight financing rate (SOFR)

** As at 30 June 2023, 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 2023 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 in 2023. Based on the consent of majority lenders, the relevant financial requirement for the period end 30 June 2023 has been waived before 30 June 2023.

13. TRADE AND BILLS PAYABLES

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	393,484	405,903
Bills payable	3,270,200	5,969,385
	<hr/>	<hr/>
Trade and bill payables	3,663,684	6,375,288
	<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:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	2,842,775	4,864,325
3 to 6 months	707,330	1,332,940
6 to 12 months	100,671	163,473
Over 12 months	12,908	14,550
	<hr/>	<hr/>
	3,663,684	6,375,288
	<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 2023 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back to the first half of 2023, the domestic macro-economy has been gradually recovering, while the situation within and outside China was still highly uncertain. As for international situation, there is no sign of an end to the conflict between Russia and Ukraine. Inflation caused by the consequences of large-scale fiscal stimulus policies in Europe and the United States in response to the epidemic has reached a historical high in the past 40 years. As for domestic situation, in 2023, China's economy is still under the "threefold pressure" of shrinking demand, supply shock and weakening expectations.

However, there were still multiple positive factors in respect of China's economy. In the first half of 2023, China accelerated the establishment of a unified national market and a high-standard market system, maintained its own pace of development in a turbulent international environment, and endeavored to achieve effective qualitative improvement and reasonable quantitative growth of the economy. It insisted on achieving superior quality and realizing qualitative change with the accumulation of quantitative changes. In such context, according to the statistics from the National Bureau of Statistics, China's GDP in the first half of 2023 was RMB59,303.4 billion, representing a year-on-year increase of 5.5%.












In the above-mentioned context, the operation of the automobile industry still faced great pressure with low efficiency level, and the recovery speed of the overall automobile consumption industry was slower than expected. Currently, it still shows a sluggish pace of recovery. According to the data released by CAAM, from January to June, domestic automobile production and sales reached 13.248 million units and 13.239 million units respectively, representing a year-on-year increase of 9.3% and 9.8% respectively. The cumulative retail sales of the domestic passenger vehicle market were approximately 9.524 million units, representing a year-on-year increase of 2.7%. Among which, the overall market share of self-owned brands continued to increase, exceeding 50% for the first time, an increase of 4.2 percentage points as compared to the same period in 2022. Among which, in the first half of the year, the production and sales of new energy vehicles in China reached 3.788 million units and 3.747 million units in total, representing a year-on-year increase of 42.4% and 44.1% respectively.

Changes in the passenger vehicle market basically determined the development of China's overall automobile industry. On one hand, from the perspective of China's automobile development structure, passenger vehicles will be the main growth point in the future, especially the living standards of Chinese residents are currently improving, regional differences in terms of economy are constantly narrowing, and the incremental scale of the market is gradually shifting to the third- and fourth-tier cities and rural markets. In the future, vehicle sales in these regions will drive the development of passenger vehicle in China, and the increase in the penetration rate among middle and low-end market will effectively expand the vehicle consumption market. On the other hand, the iteration of technological innovation of the automobile industry is accelerating. The diversification and innovation of products will not only provide a huge opportunity for the reshaping of the order of the automobile industry, but will also further stimulate the new space of the automobile consumer market. The rapid breakthrough and integration of cutting-edge technologies and the collaborative innovation of upstream and downstream enterprises have made the entire automobile industry system grow expeditiously. By accelerating the upgrading of technology, adhering to market orientation, customer orientation, and turning towards the electrification, intelligentization, and networking of automobiles, the automobile industry will enter the stage of competition and elimination in the next few years.

According to data from the National Passenger Cars Association, in the first half of 2023, the BMW Group delivered 392,580 BMW and MINI brand vehicles in the Chinese market, representing a year-on-year increase of 3.7%. Among them, the rapid growth of new energy vehicle sales was the highlight and focus of BMW Group's sales in China in the first half of the year. BMW's pure electric vehicle sales increased by 283.0% year-on-year to approximately 44,900 units. BMW's electrification offensive has achieved remarkable results, thereby resulting in positive growth in overall sales. Similar to the BMW Group, Benz has also achieved sales growth in the Chinese market in the first half of this year. According to official data, from January to June this year, Benz has delivered more than 377,200 new vehicles to Chinese customers, representing a year-on-year increase of 6.0%. Among them, a total of 102,600 pure electric vehicles were sold, representing a year-on-year increase of 121.0%. Audi's sales volume in the first half of the year was approximately 321,000 units, representing a year-on-year increase of 6.6%. Among which, the sales volume of new energy vehicles was approximately 14,000 units, representing approximately 4.3% of the total sales volume in the first half of the year.

BMW, Benz, and Audi (BBA) have been dominating the luxury automobile market in recent years: the combined market share of the three brands was 52.5%, indicating that more than half of the luxury automobiles purchased during the current period were from BBA. However, compared with the past, BBA's dominance and market share are gradually declining, which is largely due to the "invasion" of new energy vehicles, which erodes their market share. As for luxury automobile market, although BBA are also trying their best to transform into the new energy field while continuously introducing new products, it has become the consensus of all traditional automobile brands to focus on digitization, electrification, and intelligentization. But for now, it is temporarily unable to compete with the mainstream brands in such market, and its market share with new energy vehicles presents a trend of "one declines and the other grows". In the first half of 2023, Tesla recorded a sales of 297,000 vehicles, which was slightly behind Audi with a difference of only 24,500 vehicles. The structure of the luxury market has gradually shifted from BBA to BBAT. Each major luxury brand performed differently in the first half of the year. However, after realizing the threat posed by new automobile companies, it has become the consensus of all luxury automobile companies to actively promote electrification transformation, continuously launch new products, and carry out digitalization, electrification, and intelligentization.

Jan. - Jun. 2023 Mainstream Luxury Car Brand Sales in China

Ranking	Brand	Sales volume (10,000 units)	on year-on-year basis	New energy sales volume percentage
	BMW (Mini included)	39.26	3.70%	12.90%
	Mercedes Benz	37.72	6.00%	5.90%
	Audi	32.15	6.60%	4.30%
	Tesla	29.70	49.80%	100.00%
	Cadillac	8.69	11.10%	1.30%
	VOLVO	7.41	5.60%	9.00%
	LEXUS	7.05	-18.50%	6.90%
	NIO	5.65	14.20%	100.00%
	Jaguar & Land Rover	5.23	30.60%	2.10%
	Porsche	4.40	3.80%	17.70%
	Lincoln	3.29	-13.00%	0.10%
	Total	180.00	14.90%	29.90%

BUSINESS OVERVIEW

During the period for the six months ended 30 June 2023 (the “**Reporting Period**”), as the major dealer of luxury brand passenger vehicles in China, the Group always adhered to the principle of “Service First”. While facilitating the optimization of its profit structure, the Group also actively improved its after-sales 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 RMB15,970.0 million, representing a year-on-year increase of 9.0%; gross profit amounted to RMB907.7 million, representing a year-on-year decrease of 32.1%; profit attributable to owners of the parent amounted to RMB323.5 million, representing a year-on-year decrease of 39.9%, and earnings per share recorded of RMB0.11 (six months ended 30 June 2022: RMB0.19).

New automobile sales

During the Reporting Period, the Group sold a total of 42,819 units of new automobiles, representing an increase of 7.2% compared to the corresponding period in 2022, and the Group recorded new automobile sales revenue of RMB13,849.3 million, representing an increase of 7.7% compared to the corresponding period in 2022. The sales volume of luxury and ultra-luxury cars was 36,392 units, representing an increase of 3,318 units compared to the corresponding period in 2022, and such sales revenue reached RMB13,020.6 million, representing an increase of 9.1% compared to the corresponding period in 2022 and accounted for 94.0% of new automobile sales revenue. In the first half of 2023, the overall gross profit margin of new automobiles of the Group was 1.7%, representing a decrease of 3.2 percentage points when compared to the corresponding period in 2022.

We have been actively capitalizing on the Group's economies of scale and good relationships with different manufacturers to realize the advantages of resource synergies. At present, the consumption structure of the PRC passenger vehicle market is gradually developing towards trade-in and additional purchases, with high-end demand and trade-in demand being the two core growth drivers for the growth of the vehicle market. The demand for luxury brands in the traditional fuel vehicle market is relatively strong. Therefore, while working on data analysis, circulation and distribution, real-time tracking and transactions conversion of its own customers, the Group has actively opened up the trade-in and additional purchase of models of the same upgraded brand within the Group and the sharing of cross-brand sales resources, in order to promote the increase in the sales scale of new vehicles of luxury brands.

At the same time, during the Reporting Period, the Group always paid close attention to and understood the new vehicle consumption subsidy policies introduced by the central and local governments, and made full use of the advantages of network and scale to effectively increase the acquisition of new vehicle leads and the growth of retail sales through various online and offline sales channels, thereby promoting the recovery of new vehicle sales.

After-sales services

During the Reporting Period, the revenue of after-sales services was RMB2,098.3 million, representing an increase of 18.9% compared to the corresponding period in 2022, accounting for 13.1% of the total revenue of the Group. The gross profit of after-sales services was RMB658.4 million, and the gross profit margin of after-sales services was 31.4%.

During the Reporting Period, the Group focused on strengthening the cost control of the procurement of parts and components and decorative supplies through the establishment of the "Financial Management Center" and the "Fund Management Center", and took advantage of the Group's business scale to centralize the procurement and allocation of parts and components in various regions, so as to prevent abnormal inventory increase and ensure the continuous optimization of the inventory structure.

During the Reporting Period, the Group actively grasped the rigid demand of customers for vehicle maintenance after the elimination of abnormal factors, and maintained regular communication with customers to understand the driving habits, maintenance frequency and after-sales service demands of different customer groups, so as to enhance the customer stickiness. At the same time, the Group further strengthened the training of after-sales technical personnel to enhance their professional capabilities, so that they could provide customers with high-quality services.

Derivative business

During the Reporting Period, the Group proactively expanded its automobile derivative businesses by continuously overhauling the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative businesses. During the Reporting Period, revenue from the Group's automobile derivative business was RMB474.5 million, representing an increase of 28.2% compared to the corresponding period in 2022.

- ***Automobile finance business***

During the Reporting Period, the Group's automobile finance business recorded a commission income of RMB303.8 million, representing an increase of 60.7% from RMB189.0 million in the corresponding period of 2022.

During the Reporting Period, the Group leveraged the scale effect of the Group to actively cooperate with factories' financial and banking institutions and carry out policy negotiations on key brands and key regions, thereby expanding cooperation paths, and optimize product structure. While continuing to launch promotional finance products, the Company also strengthened cooperation with Internet automobile rental platforms to enhance differentiated competitiveness. In addition, on the premise of ensuring business volume, the Company intensified the management and improvement of business quality and effectively increased the number of periods of financial products, so that customers could enjoy high-quality financial products and the stickiness with stores would be significantly enhanced.

- ***Secondhand automobile business***

During the Reporting Period, the cumulative transaction volume of secondhand automobile business of the Group was 7,808 units, representing a year-on-year increase of 6.4%. During the Reporting Period, we adopted a stable business strategy for our secondhand automobile business based on the current operating conditions and policy opportunities. By leveraging a unified operation and management model, the Group focused on improving secondhand automobile replacement business with 4S stores as the center, thereby stabilizing the business foundation. At the same time, we enhanced the establishment of key capabilities for secondhand automobiles and implemented a standardized business management and control model to enhance turnover efficiency to ensure the healthy and sound operation of the inventory.

- ***Insurance business***

During the Reporting Period, the scale of our insurance business declined. The commission income of the Group's insurance business was RMB38.0 million, representing a decrease of 19.0% as compared to that of RMB46.9 million in the first half of 2022. The commission income from extended warranty business was RMB90.8 million as compared to RMB91.3 million recorded in the first half of 2022.

As for insurance business, during the Reporting Period, we continued to improve the scale and quality of insurance renewal and non-automobile insurance business, and strengthened the relationship with insurers to strive for a greater voice in such field and obtain policy support from various aspects. By providing customers with one-stop service, the service needs of customers in the whole life cycle of automobiles were connected so as to enhance the Company's brand image and nurture passenger vehicle sales and after-sales business.

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 capital expenditure of the Company was reduced while the efficiency of capital usage was further enhanced.

As at 30 June 2023, the Group owned a total of 107 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. At the same time, 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.

During the Reporting Period, the Company strengthened internal management upgrades, continued to promote the establishment of financial management center and fund management center, created an intensive and efficient platform support system, promoted the platformization of functional departments, and further realized "cost reduction and efficiency enhancement".

- ***Establishment of Fund Management Center:***

It has created a fund management and control system for store operations, which allows to identify the funds of individual stores in a timely manner, strengthen the overall planning and scheduling of various funds at the headquarters, and explore and withdraw sufficient internal operating cash flow while safeguarding the production and operation, so as to improve the efficiency of the use of self-owned funds.

- ***Establishment of Financial Management Center:***

It has opened up the financial sharing mechanism of all stores, unified the financial standards of all online and physical stores, made a good effort on detailed analysis and control of costs and expenses in a timely manner, and strengthened the Company's real-time supervision of the financial status of all online stores.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, our revenue was RMB15,970.0 million, representing an increase of approximately 9.0% as compared to the same period in 2022. There is an increase of RMB984.6 million or 7.7% 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 2022.

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 2023		Unaudited For the six months ended 30 June 2022	
	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile sales	13,849,272	86.8	12,864,646	87.8
After-sales services	2,098,268	13.1	1,764,654	12.1
Finance leasing services	22,469	0.1	21,068	0.1
Total	<u>15,970,009</u>	<u>100.0</u>	<u>14,650,368</u>	<u>100.0</u>

Automobile sales generated a substantial portion of our revenue, accounting for 86.8% of our total revenue for the six months ended 30 June 2023. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 94.0% (for the six months ended 30 June 2022: 92.8%) and 6.0% (for the six months ended 30 June 2022: 7.2%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB984.6 million was mainly attributable to the gradual recovery of the vehicle consumption market as a result of a series of stimulus policies.

Revenue from our after-sales services increased by 18.9% from RMB1,764.7 million for the six months ended 30 June 2022 to RMB2,098.3 million for the same period in 2023. The relevant contribution of our after-sales services to our revenue increased from 12.1% for the six months ended 30 June 2022 to 13.1% for the same period in 2023. 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 2023, our cost of sales and services increased by 13.1%, from RMB13,314.3 million for the same period in 2022 to RMB15,062.3 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB13,616.7 million for the six months ended 30 June 2023, representing an increase of RMB1,380.2 million, or 11.3%, as compared to the same period of 2022. The cost of sales and services attributable to our after-sales services amounted to RMB1,439.9 million for the six months ended 30 June 2023, representing an increase of RMB366.1 million, from RMB1,073.8 million for the same period in 2022.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2023 was RMB907.7 million, representing a decrease of RMB428.3 million, or 32.1%, from the same period in 2022. Gross profit from automobile sales decreased by 63.0% from RMB628.2 million for the six months ended 30 June 2022 to RMB232.6 million for the same period in 2023. Due to a slow recovery of the vehicle market, various automobile brands have intensified price competition in the passenger vehicle market in order to increase its market share, which has hindered the economic interests of the automobile dealership industry at the end of the industrial chain to a certain extent. Gross profit from after-sales services decreased by 4.7% from RMB690.8 million for the six months ended 30 June 2022 to RMB658.4 million for the same period in 2023. Automobile sales and after-sales services contributed 25.6% and 72.5%, respectively, to the total gross profit for the six months ended 30 June 2023.

Gross profit margin for the six months ended 30 June 2023 was 5.7% as compared to 9.1% of the same period last year, of which the gross profit margin of automobile sales was 1.7%, representing a decrease as compared to 4.9% of the same period last year, which was mainly attributable to unexpected slow recovery in the vehicle consumption market, leading to a fierce competition in the price of various brand models. The gross profit margin of after-sales services recorded a decrease to 31.4% as compared to 39.1% of the same period last year.

Other income and net gains

Other income and net gains increased by 18.2% from RMB594.0 million for the six months ended 30 June 2022 to RMB701.9 million for the same period in 2023. The increase was mainly attributable to the enriching variety of derivative service products and increasing commission income of these service.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2023 decreased by 27.9% from RMB1,082.5 million in the same period last year to RMB780.7 million for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, our profit for the six months ended 30 June 2023 decreased by 39.9% from RMB539.6 million in the same period last year to RMB324.2 million for the six months ended 30 June 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2023, our cash and bank balances amounted to RMB399.7 million, representing a decrease of 19.4% from RMB496.1 million as at 31 December 2022. During the Reporting Period. The Group is continuously strengthening the ability to prevent debt repayment risks, actively optimising the scale of interest-bearing liabilities, and enhancing the efficiency of the use of self-owned funds to meet the daily operating expenses and working capital requirements.

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 2023, our net cash used in from operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB104.6 million (for the six months ended 30 June 2022: RMB535.4 million generated), RMB124.9 million (for the six months ended 30 June 2022: RMB79.9 million used), and RMB94.3 million (for the six months ended 30 June 2022: RMB1,101.5 million used), respectively.

Net current assets

As at 30 June 2023, we had net current assets of RMB3,201.0 million, representing an increase of RMB180.4 million from RMB3,020.6 million as at 31 December 2022.

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 2023, our total capital expenditure was RMB268.4 million (for the six months ended 30 June 2022: RMB254.2 million).

Inventory

Our inventories primarily consist of new automobiles, 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 RMB3,464.3 million as at 30 June 2023, representing a 7.5% increase from RMB3,223.0 million as at 31 December 2022, and our average inventory turnover days increased from 34.6 days at 31 December 2022 to 40.0 days for the six months ended 30 June 2023, which was mainly due to the volatilities in the new car market in the first half of the year. Nevertheless, the inventory turnover days of the Group remained in a healthy range and the Group's inventory mix was gradually being optimised.

Interest-bearing bank and other borrowings

As at 30 June 2023, the Group's available and unutilised banking facilities amounted to approximately RMB6,887.8 million (as at 31 December 2022: RMB8,737.8 million).

Our interest-bearing bank and other borrowings as at 30 June 2023 were RMB6,198.5 million, representing an increase of RMB476.4 million from RMB5,722.1 million as at 31 December 2022.

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 2023 was 60.2% (as at 31 December 2022: 65.4%).

Human resources

As at 30 June 2023, the Group had approximately 6,568 employees (as at 30 June 2022: 7,472). Total staff costs for the six months ended 30 June 2023, excluding directors' remuneration, were approximately RMB499.8 million (for the six months ended 30 June 2022: RMB502.2 million).

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

Contingent liabilities

As at 30 June 2023 and 31 December 2022, 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 2023, the pledged group assets amounted to approximately RMB4,645.3 million (as at 31 December 2022: RMB6,242.7 million).

CHANGE IN BOARD COMPOSITION AND CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) 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 2023 and up to the date of this announcement.

Changes since 31 December 2022

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 2022.

FUTURE OUTLOOK AND STRATEGIES

OUTLOOK

The Group will continue to actively promote organizational changes and transformation to continuously enhance our core competitiveness in response to the accelerated evolution of the automobile industry and the changes in consumer service demands. We will always seek for a better management model to achieve a better customer service experience, while realizing a lower-cost and higher-efficiency operation model. At the same time, we will continue to optimize the development and management of our brands and outlets, continuously enhance the utilization efficiency of asset, and accelerate the closure and transformation of outlets with low operational efficiency that are not in line with our long-term business strategy, so as to contribute to a sustainable increase in the overall return rate on investment of our assets in the future.

In terms of the principal business, the Group is also keeping abreast of the market. Under the overall trend of electrification in China's passenger vehicle market, traditional brands, independent brands and new brands are seeking to transform and upgrade. We have been closely monitoring the development trend of each brand, especially the core brands that we distribute. On the one hand, the Group will always maintain its policy of consolidating the luxury brands in terms of network development. On the other hand, we will also actively explore the cooperation models with multiple manufacturers of luxury brands in the field of new energy, as well as selectively develop with the independent brands and new brands that have potentials in the field of new energy, so as to gradually form a new brand network, facilitating the development of the Group's 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 automobile 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.

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 2023 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2023, 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 2023, 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 2023, 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 2023.

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 2023 (for the six months ended 30 June 2022: 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 2023 and are of the view that the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.klbaoxin.com). The interim report of the Company for the six months ended 30 June 2023 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 2023

As at the date of this announcement, the Company’s executive Directors are Mr. MA Fujiang, Mr. BAO Xiangyi, Mr. DING Yu, and Ms. XU Xing; and the independent non-executive Directors are Ms. LIU Wenji, Ms. LIU Yangfang and Mr. HO Hung Tim Chester.