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)

(1) ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023; AND (2) CHANGE OF REGISTERED OFFICE, PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

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 2023 (the "**Reporting Period**"), as well as comparative figures for the corresponding period in 2022.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2023:

- Total revenue was RMB31,907.0 million, in which the automobile sales was RMB27,634.0 million, and the after-sales revenue was RMB4,236.6 million.

- Gross profit was RMB1,294.6 million and the gross profit margin was 4.1%.

- Profit attributable to owners of the parent was RMB125.7 million, as compared to a loss attributable to owners of the parent of RMB698.0 million for the year ended 31 December 2022.

- Earnings per share attributable to ordinary equity holders of the parent were RMB0.04 (2022: loss per share of RMB0.25).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
REVENUE	*4(a)*	**31,906,979**	31,698,687
Cost of sales and services provided	*5(b)*	**(30,612,366)**	(31,235,287)
Gross profit		**1,294,613**	463,400
Other income and gains, net	*4(b)*	**1,223,093**	1,281,086
Selling and distribution expenses		**(1,099,982)**	(1,160,253)
Administrative expenses		**(630,043)**	(626,622)
Profit/(loss) from operations		**787,681**	(42,389)
Finance costs	*6*	**(550,666)**	(539,375)
Share of (loss)/profits of:			
Joint ventures		**(4,927)**	75
Associates		**(2,987)**	10,785
Profit/(loss) before tax	*5*	**229,101**	(570,904)
Income tax expense	*7*	**(115,008)**	(129,576)
Profit/(loss) for the year		**114,093**	(700,480)
Attributable to:			
Owners of the parent		**125,747**	(697,982)
Non-controlling interests		**(11,654)**	(2,498)
		114,093	(700,480)
Earnings/(loss) per share attributable to ordinary equity holders of the parent			
Basic and diluted			
— For profit/(loss) for the year (RMB)	*8*	**0.04**	(0.25)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**114,093**	(700,480)
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	**—**	4,691
Exchange differences on translation of financial statements	**(52,911)**	(304,737)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(52,911)**	(300,046)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(52,911)**	(300,046)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**61,182**	(1,000,526)
Attributable to:		
Owners of the parent	**72,836**	(998,028)
Non-controlling interests	**(11,654)**	(2,498)
	61,182	(1,000,526)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,266,678**	3,426,806
Investment properties		**358,031**	392,720
Right-of-use assets		**1,298,534**	1,577,322
Goodwill		**1,143,416**	1,222,016
Other intangible assets		**1,187,541**	1,291,848
Prepayments and deposits		**72,220**	52,610
Finance lease receivables		**89,301**	69,167
Investment in joint ventures		**97,396**	102,323
Investments in associates		**123,308**	127,524
Deferred tax assets		**352,947**	291,501
Total non-current assets		**7,989,372**	8,553,837
CURRENT ASSETS			
Inventories	*9*	**3,577,652**	3,222,985
Trade receivables	*10*	**764,120**	484,894
Finance lease receivables		**120,503**	136,647
Financial assets at fair value through profit and loss		**134,569**	89,356
Prepayments, other receivables and other assets		**8,851,167**	9,488,041
Amounts due from related parties		**94,444**	49,957
Pledged deposits		**1,371,384**	2,646,629
Cash in transit		**4,437**	10,919
Cash and bank balances		**185,274**	496,110
Total current assets		**15,103,550**	16,625,538

	Notes	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000* (Restated)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**5,519,790**	5,275,072
Trade and bills payables	*12*	**3,843,580**	6,375,288
Other payables and accruals		**1,008,371**	1,054,212
Lease liabilities		**90,787**	158,997
Amounts due to related parties		**332,138**	145,997
Income tax payable		**646,314**	595,340
Total current liabilities		**11,440,980**	13,604,906
NET CURRENT ASSETS		**3,662,570**	3,020,632
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,651,942**	11,574,469
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**496,718**	446,975
Other payables		**334**	9,649
Lease liabilities		**946,947**	1,122,879
Deferred tax liabilities		**428,062**	458,400
Amounts due to related parties		**2,044,580**	1,862,447
Total non-current liabilities		**3,916,641**	3,900,350
Net assets		**7,735,301**	7,674,119
EQUITY			
Equity attributable to owners of the parent			
Share capital		**23,277**	23,277
Reserves		**7,737,711**	7,664,875
		7,760,988	7,688,152
Non-controlling interests		**(25,687)**	(14,033)
Total equity		**7,735,301**	7,674,119

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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 14 December 2011. On 21 June 2016, China Grand Automotive Services 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendment to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

Other than as explained below regarding the impact of Amendment to *HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, the new and revised HKFRSs did not have any significant impact on the financial position and performance of the Group.

Amendments to *HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022. The consolidated statement of financial position as at 31 December 2022 has been restated as an additional amount of approximately RMB 4,363,000 was recognized for both deferred tax assets and deferred tax liabilities. Hence, they did not have any material impact on the balances of retained profits and non-controlling interests at that date.

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 Chinese Mainland and most of the Group's non-current assets were located in Chinese Mainland, 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:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of motor vehicles	**27,633,956**	27,948,010
After-sales services	**4,236,566**	3,713,369
Revenue from other sources		
Finance leasing services	**36,457**	37,308
	31,906,979	31,698,687

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or service		
Sale of motor vehicles	**27,633,956**	27,948,010
After-sales services	**4,236,566**	3,713,369
Total revenue from contracts with customers	**31,870,522**	31,661,379
Timing of revenue recognition		
At a point in time	**31,870,522**	31,661,379

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:

	2023	2022
	RMB'000	*RMB'000*
Sale of motor vehicles	**404,411**	566,122
After-sales services	**233,257**	220,295
Total contract liabilities	**637,668**	786,417

(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:

	2023	2022
	RMB'000	*RMB'000*
Commission income	**1,219,102**	813,017
Advertisement support received from automobile manufacturers	**18,539**	20,672
Gross rental income from investment property operating leases*	**17,869**	17,512
Rental income from subleases	**16,815**	29,763
Government grants**	**77,739**	88,462
Bank interest income	**9,325**	20,753
Gain/(loss) on disposal of items of property, plant and equipment	**4,533**	(3,356)
(Loss)/gain on disposal of items of intangible assets	**(42)**	33
Fair value loss on investment properties	**(34,689)**	(1,596)
Fair value gain on financial assets at fair value through profit and loss	**45,213**	6,994
Foreign exchange differences, net	**46,463**	246,936
Gain on disposal of investment in an associate	**—**	42,743
(Loss)/gain on termination of lease	**(2,783)**	5,300
Impairment of goodwill, intangible assets and property, plant and equipment	**(196,536)**	—
Gain on disposal of a subsidiary	**8,266**	—
Others	**(6,721)**	(6,147)
	1,223,093	1,281,086

* 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/(LOSS) BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
(a) Employee benefit expense (including Directors' and chief executive's remuneration):		
Wages and salaries	**828,660**	820,304
Other welfare	**223,294**	250,501
	1,051,954	1,070,805

(b) Cost of sales and services provided:

	2023	2022
	RMB'000	*RMB'000*
Cost of sales of motor vehicles	**27,732,245**	28,811,632
Others	**2,880,121**	2,423,655
	30,612,366	31,235,287

(c) Other items:

	2023	2022
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment*	**279,706**	268,401
Depreciation of right-of-use assets***	**183,573**	203,373
Amortisation of other intangible assets*	**59,722**	61,806
Advertisement and business promotion expenses	**209,348**	249,296
Auditor's remuneration	**6,100**	6,100
Bank charges	**27,930**	27,042
Foreign exchange differences, net	**(46,463)**	(246,936)
Lease payments not included in the measurement of lease liabilities*	**39,671**	26,854
Logistics and petroleum expenses	**33,480**	51,921
Office expenses	**14,695**	16,178
Impairment of financial assets:		
Impairment of trade receivables	**23,286**	721
Impairment of prepayments, other receivables and other assets	**4,920**	(3,637)
Impairment of finance lease receivables	**6,066**	(318)
Write-down of inventories to net realisable value**	**45,432**	73,675
(Gain)/loss on disposal of items of property, plant and equipment	**(4,533)**	3,356
Loss/(gain) on disposal of items of intangible assets	**42**	(33)
Gross rental income from investment properties	**(17,869)**	(17,512)
Rental income from subleases	**(16,815)**	(29,763)
Government grants	**(77,739)**	(88,462)
Fair value loss on investment properties	**34,689**	1,596
Fair value gain on financial assets at fair value through profit and loss	**(45,213)**	(6,994)
Bank interest income	**(9,325)**	(20,753)
Gain on disposal of investment in an associate	**—**	(42,743)
Impairment of goodwill, intangible assets and property, plant and equipment	**196,536**	—
Gain on disposal of a subsidiary	**(8,266)**	—

* The amount of these depreciation of property, plant and equipment, lease payment not included in the measurement of lease liabilities and 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 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:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank and other borrowings (including amounts due to related parties)	**486,091**	465,133
Incl: Loan arrangement fee	**18,211**	21,827
Interest on lease liabilities	**64,575**	74,242
Total interest expense on financial liabilities not at fair value through profit or loss	**550,666**	539,375

7. INCOME TAX

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

	2023	2022
	RMB'000	*RMB'000*
Current tax	**205,700**	204,031
Deferred tax	**(90,692)**	(74,455)
Total tax charge for the year	**115,008**	129,576

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% (2022: 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% (2022: 25%), except for two subsidiaries in Xinjiang Uygur Autonomous Region were exempted from income tax in the first five years and 15 subsidiaries in Sichuan Province were entitled to income tax rate of 15% under western development policy.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) 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 2023 (2022: 2,837,511,429).

The exercise price of the share option was higher than the market stock price. No share options were exercised during the year. Therefore, the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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

	2023	2022
Earnings/(loss)	***RMB'000***	*RMB'000*
Profit/(loss) attributable to ordinary equity holders of the parent	**125,747**	(697,982)

Shares	**2023**	2022
Weighted average number of ordinary shares in issue during the year	**2,837,511,429**	2,837,511,429

	2023	2022
Earnings/(loss) per share	***RMB***	*RMB*
Basic and diluted	**0.04**	(0.25)

9. INVENTORIES

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Motor vehicles	**3,236,011**	2,931,492
Spare parts, accessories and others	**388,363**	364,542
	3,624,374	3,296,034
Less: Provision for inventories	**46,722**	73,049
	3,577,652	3,222,985

10. TRADE RECEIVABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade receivables	**781,054**	489,026
Impairment	**(16,934)**	(4,132)
	764,120	484,894

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 2023 *RMB'000*	31 December 2022 *RMB'000*
Within 3 months	**657,916**	402,353
More than 3 months but less than 1 year	**62,495**	54,362
Over 1 year	**43,709**	28,179
	764,120	484,894

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023		
	Effective interest rate (%)	**Original maturity**	***RMB'000***
Current			
Bank borrowings			
— guaranteed	**3.3-6.4**	**2024**	**1,686,160**
— guaranteed **	**SOFR*+3.5**	**On demand**	**676,663**
— secured	**3.3-6.6**	**2024**	**479,108**
— secured	**6.6**	**On demand**	**29,000**
— unsecured	**3.5-6.7**	**2024**	**44,947**
— secured and guaranteed	**3.4-6.7**	**2024**	**504,169**
			3,420,047
Other borrowings			
— guaranteed	**4.0-11.0**	**2024**	**462,954**
— secured	**6.1-8.8**	**2024**	**248,509**
— secured and guaranteed	**3.4-8.5**	**2024**	**1,374,136**
— unsecured	**6.5-7.8**	**2024**	**14,144**
			2,099,743
			5,519,790
Non-current			
Bank borrowings			
— guaranteed	**4.9-5.8**	**2025**	**92,399**
— secured	**4.3-6.0**	**2025-2026**	**91,173**
— secured and guaranteed	**4.3-5.5**	**2025**	**276,387**
			459,959
Other borrowings			
— secured	**4.9**	**2025**	**2,357**
— guaranteed	**3.4-4.9**	**2026**	**14,468**
— secured and guaranteed	**4.9**	**2025-2026**	**19,934**
			36,759
			496,718

	31 December 2022		
	Effective interest rate (%)	Original maturity	*RMB'000*
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
			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
			1,127,434
			5,275,072
Non-current			
Bank borrowings			
— secured	5.5-5.8	2024	243,805
— guaranteed	4.9	2024-2025	203,170
			446,975
			446,975

* The secured overnight financing rate (SOFR)

** As at 31 December 2023, long term bank borrowings with an aggregate carrying amount of approximately USD98,100,000, 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 2023 has been waived.

12. TRADE AND BILLS PAYABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade payables	**576,212**	405,903
Bills payable	**3,267,368**	5,969,385
Trade and bills payables	**3,843,580**	6,375,288

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 2023 *RMB'000*	31 December 2022 *RMB'000*
Within 3 months	**2,659,669**	4,864,325
3 to 6 months	**1,036,774**	1,332,940
6 to 12 months	**93,114**	163,473
Over 12 months	**54,023**	14,550
	3,843,580	6,375,288

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 2023 (2022: Nil).

14. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 31 December 2023 and up to the date of this announcement.

INDUSTRY OVERVIEW

Industry Review

Macroeconomics

Throwing back to 2023, with China's economy and society fully returning to normal, macroeconomic policies are proving to be effective, and high-quality development is progressing steadily, despite the complexity of the global political and economic situation. Various statistics demonstrate that the gradual resumption of market demand with the production supply continues to rise, indicating stable and hopeful economic development.

According to statistics released by the National Bureau of Statistics of China, the domestic GDP in 2023 exceeded RMB126 trillion, achieving a growth rate of 5.2% which represented a faster increase of 2.2 percentage points as compared to 2022. On a quarterly basis, it has shown a trend of low at first, high at medium, and stable at the end, which has been consolidated in a positive way. In general, China's economic and social development has well achieved in "recovering for the better, full of quality, outstanding performance, and surviving extreme difficulty."

Industry Development

During 2023, China's passenger vehicle market is characterised by a continued decline in the market share of traditional fuel vehicles, but this trend has slowed down, as has the growth rate of pure electric models. The growth rate of extended-range models and market share have increased significantly. Under such circumstances, according to the statistics released by CAAM, domestic automobile production and sales reached 30.161 million units and 30.094 million units in 2023 respectively, representing a year-on-year increase of 11.6% and 12% respectively. Among which, the production and sales of passenger cars reached 26.124 million units and 26.063 million units respectively, representing a year-on-year increase of 9.6% and 10.6% respectively. Among which, the sales of Chinese-brand passenger cars reached 14.596 million units, representing a year-on-year increase of 24.1%, while the market share was 56%, representing a year-on-year increase of 6.1%. In terms of the new energy vehicle segment, the production and sales of new energy vehicles reached 9.587 million units and 9.495 million units in 2023 respectively, representing a year-on-year increase of 35.8% and 37.9% respectively. The domestic new energy vehicle sales for the year accounted for 31.6% of all vehicle sales, representing an increase of 6 percentage points as compared to 2022. This year has been a year of rapid change for the automobile consumer market, as well as a year of climbing over hurdles and moving forward under pressure. At the beginning of 2023, the price war in the automobile market triggered by Tesla expanded from new energy vehicles to fuel vehicles, and lasted from the beginning of the year to the end of the year. The general keynote of "price-for-volume" led to a sharp decline in the profits of OEMs and gross profit of distributors, causing a huge impact on the market.

In 2023, self-owned brands strived to “shoot up”, while traditional luxury brands performed well one after another. By sorting out the sales situation in China, it was noted that under the influence of the continued efforts of self-owned brands, brand elimination also occurred in the luxury car market. During the Reporting Period, benefiting from the foresight of the new energy transformation and the market competitiveness accumulated by the brands, the sales volume of the three traditional luxury brands (BMW, Benz and Audi) in the Chinese market achieved a year-on-year growth and maintained a solid foundation. These three luxury brands delivered new automobiles of approximately 824,000, 765,000, and 729,000 units, respectively, in the Chinese market, representing a year-on-year growth of 4.2%, 1.7%, and 13.5%, respectively. The BMW group continued to maintain its leading position, while Audi achieved outstanding sales growth. Relatively speaking, in terms of the performance of second-tier luxury brands in the Chinese market, except for Volvo and Jaguar & Land Rover which achieved year-on-year sales growth, other second-tier luxury brands did not achieve satisfactory results.

In the field of traditional luxury brand new energy vehicle models, the BMW group is the leader in electrification transformation among luxury brands, also in a leading position in sales of new energy vehicles. According to the official data, BMW’s pure electric vehicle sales achieved outstanding performance during the Reporting Period by delivering approximately 100,000 units last year, representing an increase of more than 138%. Among them, the delivery of i3 and iX3, the pure electric vehicles reached the highest volume. As compared to the same period, the delivery of Audi’s electric series, e-tron, achieved stable growth in the Chinese market with approximately 31,000 units reached. The delivery of Mercedes-Benz’s pure electric vehicles also doubled year on-year.

In the field of domestic new force brands, BYD, NIO, Xiaopeng, LI Auto as representatives, have constantly launched new models in pure electricity, plug-in, extended range and other new energy products in 2023. Through the addition of intelligent and other functions demanded by Chinese consumers, the product price of over RMB300,000 has fallen into the conventional luxury car pricing range. The introduction of these products serves in part to compensate for the absence of conventional luxury brands in the new energy product market.

Jan. - Dec. 2023 Mainstream luxury car brand sales in China

Ranking	Brand	Sales Volumn ('000)	on year-on-year basis
	BMW	824.0	4.20%
	Mercerdes Benz	765.0	1.70%
	Audi	729.0	13.50%
	Tesla	622.0	41.10%
	Cadillac	183.0	-1.50%
	LEXUS	181.0	-1.60%
	VOLVO	168.0	0.80%
	NIO	165.7	38.87%
	Jaguar & Land Rover	108.0	21.90%
	Porsche	81.0	-14.30%
	Lincoln	73.0	-8.40%
	Maserati	4.3	-12.10%
	Total	3,904.0	14.90%

(*Note:* The major luxury automobile brands in China are: BMW, Benz, Audi, Tesla, Cadillac, Lexus, Volvo, NIO, Jaguar & Land Rover, Porsche, Lincoln, Maserati)

BUSINESS OVERVIEW

During the Reporting Period, the Group emphasized automobile sales just as much as service quality in its policy concern. In view of the external environment with continuous pressure, with the focus on increasing the overall sales volume of new automobiles, the Group continued to optimise its brand structure and efficiency for each store so as to achieve stable prices in new automobiles on a best effort basis. Meanwhile, it guaranteed steady quality improvement of after-sales service business to better meet customer needs, and achieved quality and healthy development of the derivative business. The Group has kept abreast of market trends, acted on changes in a proactive manner and adjusted its business strategies, leading to a steady and healthy operation despite the adverse environment and achieving positive development.

For the year ended 31 December 2023, our revenue amounted to approximately RMB31,907.0 million, representing a year-on-year increase of 0.7%; gross profit amounted to RMB1,294.6 million, representing an increase of 179.4%; profit attributable to owners of the parent, having turned losses into gains, amounted to RMB125.7 million, as compared to loss attributable to owners of the parent of RMB698.0 million for the year ended 31 December 2022; during the Reporting Period, earnings per share recorded of RMB0.04.

New automobile sales

In 2023, China's passenger car market continued the competition with fuel vehicles and new energy vehicles markets, advancing at the same pace. In the face of objective factors such as price wars throughout the year, consumption downgrades, the withdrawal of the purchase tax halving policy launched in 2022, and the China VI Standard from A to B, the sales and gross profit margin of new automobiles of the Group have faced unprecedented challenges.

During the Reporting Period, despite the impact of the above adverse factors, the Group maintained the stability of its new automobile sales business through the following aspects: firstly, it has taken a proactive approach to adjust its brand and model structure so as to alleviate the adverse impact arising from the sharp decline in new automobile prices in the market, safeguarding the comprehensive profits of new automobile sales; secondly, it has strengthened resource integration and improved business synergy between stores of the same brand in different regions to maximize the benefits of the rebate policy formulated by brand OEMs; finally, the Group has also enhanced its online empowerment approach, broadened the channels by exploring the front-end of sales, encouraged stores to fully invest in live broadcast business, and achieved new sales growth points outside the showroom, so as to reduce the negative impact of market price competition.

For the year ended 31 December 2023, the Group sold a total of 87,960 units of new automobiles, representing an increase of 2.4% as compared to the corresponding period in 2022. However, the revenue generated from the sales of new automobile amounted to RMB27,634.0 million, representing a year-on-year decrease of 1.1%, of which, the sales revenue of luxury and ultra-luxury cars was RMB25,974.0 million, representing a year-on-year increase of 0.1%, which accounted for 94.0% of new automobile sales revenue. In the full year of 2023, the overall gross profit margin of new automobiles of the Group was -0.4% (2022: -3.1%).

After-sales services

During the Reporting Period, the Group took advantage of its business scale to focus on strengthening the procurement cost control of parts and components and decorative supplies. Through centralized procurement and allocation of parts and components in various regions, it prevented abnormal increases in inventory and ensured continuous optimization of the inventory structure. Meanwhile, the Group endeavored to seize the rigid demand of customers for vehicle maintenance by maintaining regular communication with customers and understanding their car usage habits, maintenance frequency and after-sale service requirements to increase customer stickiness. In addition, the Group required various brand stores to further strengthen the training of after-sales technical personnel, and enhance professional learning, so as to provide customers with higher quality services. It has achieved a steady and improving trend of development of the Group's after-sales services.

During the Reporting Period, the revenue of after-sales services was RMB4,236.6 million, representing a year-on-year increase of 14.1%, accounting for 13.3% of the total revenue of the Group. The gross profit of after-sales services was RMB1,365.9 million, representing a year-on-year increase of 5.5%, and the gross profit margin of after-sales services was 32.2%.

Derivative business

During the Reporting Period, the Group has ensured the basic stability of overall sales revenue of new automobiles by continuously overhauling the existing management system, enriching the variety of derivative service products as well as implementing sales price management measures for single vehicle + derivative business. For the year ended 31 December 2023, the income of the Group's derivative business was RMB1,219.1 million, representing a year-on-year increase of 49.9%.

- **Automobile finance business**

  During the Reporting Period, due to its scale advantage, the Group actively engaged in policy negotiations with factories, financial institutions and banking institutions with respect to key brands and key regions. It aimed to broaden the scope of collaboration and optimise the product structure. While continuing to launch OEM cooperative discount products, the Group has also strengthened its cooperation with internet car leasing platforms to enhance its differentiated competitiveness. Furthermore, on the premise of ensuring a certain amount of business, we have improved business quality management and effectively extended the number of financial product periods. This has allowed customers to enjoy the high-quality financial products while also significantly increasing their stickiness with the stores.

  During the Reporting Period, the Group recorded the income of the automobile finance business at RMB861.7 million, representing an increase of 92.2% as compared to RMB448.3 million for the corresponding period in 2022.

- **Second-hand automobile business**

  During the Reporting Period, the Group adopted a prudent strategy in its second-hand automobile business centred on 4S shops. Considering the current operating situation and policy opportunities, the Group aims to improve the second-hand automobile replacement business with the unified operation and management style. Meanwhile, the Group strengthened the construction of key capabilities in second-hand automobiles, implemented a standardised business control model to boost the turnover efficiency and ensure the healthy and virtuous operation of inventory.

  During the Reporting Period, the penetration rate of second-hand automobile business of the Group was 19.5%, representing a year-on-year increase of 0.8 percentage points. The replacement rate of second-hand automobiles was 18.4%, representing an increase of 1.8 percentage points as compared to the corresponding period in 2022.

- **Insurance business**

  During the Reporting Period, the Group has constantly enhanced the scale and quality of the insurance renewal and non-auto insurance businesses. The Group strengthened communication and cooperation with the insurance companies to secure policy support in various aspects. By offering customers one-stop service, we connected the customers' servicing requirements to the whole vehicle life cycle, thus supporting the sales and after-sales of passenger cars business.

  During the Reporting Period, the insurance commission income of the Group was RMB288.4 million, representing an increase of 1.7% compared to RMB283.6 million for the corresponding period in 2022.

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 continued to optimize its brand structure and implemented its strategic policy that emphasized on internal adjustment based on the changes in the external business environment, strived to strengthen the policies on the improvement on management optimization and operational efficiency of existing stores based on its existing brands, and 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 so as to match the brand structure of the Group with the market structure by taking into account the actual operating conditions of each store as well as rational predictions regarding the market demand in the region and brand where it operates. For brands and stores that continued to record a loss, we would adopt a "shut down and resume" strategy to control inventory at a reasonable level and prevent operational risks. This could reduce capital expenditure of the Group while further raised the efficiency of capital usage.

During the Reporting Period, the Group actively adjusted 5 operating stores that had weaker profitability. As of 31 December 2023, the Group operated a total of 102 operating stores and owned a diversified car brand portfolio comprising 9 luxury and ultra-luxury automobile brands (namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Alfa Romeo, Porsche, Rolls Royce and Maserati).

Management Upgrade

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

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.

FUTURE OUTLOOK AND STRATEGIES

Outlook

Automobile consumption is of great significance in boosting domestic consumption and stabilising industrial and economic development in China, and the state has always attached great importance to its position in the national economy. The 2024 report on the work of the Government pointed out that, this year's GDP growth rate is around 5%. Stable growth in consumption should be promoted through stabilising and expanding traditional consumption, encouraging and promoting the replacement of old products with new ones, and boosting the consumption of intelligent internet-connected new energy automobiles, electronic products and other bulk consumption measures. In February 2024, the State Council approved a new programme that focus on actively launching the car trade-in programme. It encourages and promotes the trade-in of consumer goods, including automobiles, to promote the demand for automobile consumption. Policy support, technology and product upgrades will inject new vitality into the automobile market, and will also effectively promote the release of passenger car market demand. According to the CAAM, it is expected that the sales volume of passenger cars in 2024 will be 26.8 million, representing a year-on-year growth of 3%.

In terms of the principal business, the Group has focused on new automobile sales, after-sales maintenance, and derivative business derived from the underlying business in order to consolidate the strategic foundation of its industrial operations. The Group remains dedicated to the 4S stores as its core, establishing a timely and effective incentive protection mechanism to effectively empower the industry frontline. Meanwhile, while ensuring a reasonable scale, the Group will enhance the quality of its operations and further optimise its sales structure to achieve a multi-level and diverse business structure, strengthen its service capability and continuously enhance its competitiveness in the market.

In terms of management, the Group will improve its internal work processes and shortcomings by tapping into its internal potential. It will enable the Group to better cope with the various risks and challenges arising from the accelerated phase-out of the industry. Also, the Group is committed to ensuring effective control and management of every operational process. Furthermore, the Group will establish management measures and concepts for continuous industry benchmarking, regional benchmarking and store benchmarking, continuously improve the management system and process standards, aiming to effectively achieve the goal of cost reduction and efficiency improvement each year.

In terms of development, the Group has paid close attention to the progress of transformation and upgrades of various traditional luxury brands under the overall trend of electrification in China's passenger vehicle market, especially the core brands that we distribute. When consolidating our principal business of traditional luxury brands, we will also actively explore the cooperation models with multiple manufacturers of luxury brands in the field of new energy so as to strengthen the distribution of major new energy models from luxury brands, to adapt to the new market competition and to meet customer needs.

In the future, the Group will continue to rely on its core resources and advantages with a more open and inclusive attitude in facing the development and changes of the automobile consumption market. Meanwhile, the Group will adhere to the distribution and services of traditional luxury automobile brands with the goal of providing high-quality services and a focus on achieving its healthy, sustainable and stable long-term development, striving to become a luxury brand 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:

	Year ended 31 December			
	2023		2022	
Revenue source	**Revenue**	**Contribution to total revenue**	Revenue	Contribution to total revenue
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Automobile sales	**27,633,956**	**86.6**	27,948,010	88.2
Luxury and ultra-luxury brands	**25,973,625**	**81.4**	25,955,432	81.9
Mid-to-upper market brands	**1,660,331**	**5.2**	1,992,578	6.3
After-sales business	**4,236,566**	**13.3**	3,713,369	11.7
Luxury and ultra-luxury brands	**4,042,866**	**12.7**	3,508,409	11.1
Mid-to-upper market brands	**193,700**	**0.6**	204,960	0.6
Finance leasing services	**36,457**	**0.1**	37,308	0.1
Total revenue	**31,906,979**	**100**	31,698,687	100

Revenue from the sales of automobiles decreased by 1.1% as compared to the year ended 31 December 2022 due to the fact that during the Reporting Period, as a result of the impact of the full-year automobile pricing war, the key direction of "price for volume" led to a decrease in the Group's revenue from new automobile sales as compared to the same period last year.

Automobile sales generated a substantial portion of our revenue, accounting for 86.6% of our total revenue for the year ended 31 December 2023. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 81.4% (2022: 81.9%) and 5.2% (2022: 6.3%), respectively, of our total revenue.

Revenue from the after-sales business increased by 14.1% from RMB3,713.4 million for the year ended 31 December 2022 to RMB4,236.6 million for the same period in 2023.

Cost of sales and services

For the year ended 31 December 2023, our cost of sales and services decreased by 2.0%, from RMB31,235.3 million for the same period in 2022 to RMB30,612.4 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB27,732.2 million for the year ended 31 December 2023, representing a decrease of RMB1,079.4 million, or 3.7%, from the same period in 2022. The cost of sales attributable to our after-sales business amounted to RMB2,870.6 million for the year ended 31 December 2023, representing an increase of RMB451.9 million, or 18.7% from the same period in 2022.

Gross profit and gross profit margin

Gross profit for the year ended 31 December 2023 was RMB1,294.6 million, representing an increase of RMB831.2 million or 179.4% from the same period in 2022 which was primarily due to the recovery of new automobile sales business as compared with the same period in 2022. Gross profit from automobile sales increased RMB765.3 million from negative RMB863.6 million for the year ended 31 December 2022 to negative RMB98.3 million for the same period in 2023. Gross profit from after-sales business increased by 5.5% from RMB1,294.7 million for the year ended 31 December 2022 to RMB1,366.0 million for the same period in 2023.

Gross profit margin for the year ended 31 December 2023 was 4.1% (2022: 1.5%), of which we recorded negative gross margin of automobile sales of 0.4% (2022: -3.1%) and of after-sales business was 32.2% (2022: 34.9%).

Other income and gains, net

Other income and gains, net decreased by 4.5% from RMB1,281.1 million for the same period in 2022 to RMB1,223.1 million for the year ended 31 December 2023.

During the Reporting Period, it was mainly due to the impairment of goodwill and long-term assets resulting from the active adjustment and optimization of the weaker profitability stores by the Group.

Selling and distribution costs and administrative expenses

For the year ended 31 December 2023, the Group's selling and distribution costs decreased by 5.2% to RMB1,100.0 million from RMB1,160.3 million for the same period in 2022. The Group's administrative expenses increased by 0.5% from RMB626.6 million for the same period in 2022 to RMB630.0 million.

Profit/(loss) from operations

As a result of the foregoing, our profit from operations for the year ended 31 December 2023 was RMB787.7 million as compared with a loss from operations of RMB42.4 million for the same period in 2022.

Finance costs

Finance costs increased by 2.1% from RMB539.4 million for the year ended 31 December 2022 to RMB550.7 million for the same period in 2023.

Income tax

Income tax decreased by 11.2% from RMB129.6 million for the year ended 31 December 2022 to RMB115.0 million for the same period in 2023.

Profit/(loss) for the year

As a result of the cumulative effect of the foregoing, our profit for the year ended 31 December 2023 was RMB114.1 million as compared with a loss for the year of RMB700.5 million in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 31 December 2023, our cash and bank balances amounted to RMB185.3 million, representing a decrease of 62.7% from RMB496.1 million as at 31 December 2022. The Group took the lead to optimise the scale of interest-bearing liabilities and improve the efficiency of the use of its own funds to meet daily operating expenses and working capital needs.

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 2023, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB174.4 million (for the year ended 31 December 2022: RMB776.2 million generated), RMB185.9 million (for the year ended 31 December 2022: RMB275.5 million used), and RMB276.0 million (for the year ended 31 December 2022: RMB1,748.4 million used), respectively.

Net current assets

As at 31 December 2023, the Group had net current assets of RMB3,662.6 million, representing an increase of RMB642.0 million from RMB3,020.6 million as at 31 December 2022.

Capital expenditure

The Group's capital expenditures primarily comprised of expenditures on property, plant and equipment, land use rights and intangible assets. During the year ended 31 December 2023, the Group's total capital expenditures amounted to RMB586.2 million (2022: RMB549.0 million).

Inventories

The Group's inventories primarily consisted of new automobiles and spare parts and accessories. Each of the Group's dealership stores individually manages its orders for new automobiles and after-sales products. The Group coordinates and aggregates orders for automobile accessories and other automobile-related products across its dealership network.

The Group's inventories increased by 11.0% from RMB3,223.0 million as at 31 December 2022 to RMB3,577.7 million as at 31 December 2023.

The average inventory turnover days of the Group for the year ended 31 December 2023 increased to 40.0 days from 34.6 days in 2022. The increase in inventory turnover days during the Reporting Period was mainly due to the Group's reasonable adjustments to its inventory levels in response to market changes.

Trade Receivables

Trade receivables increased from RMB484.9 million for the year ended 31 December 2022 to RMB764.1 million for the year ended 31 December 2023.

Interest-bearing bank and other borrowings

As at 31 December 2023, the Group's available and unutilised banking facilities amounted to approximately RMB6,103.4 million (31 December 2022: RMB7,272.8 million).

The interest-bearing bank and other borrowings of the Group as at 31 December 2023 were RMB6,016.5 million, representing an increase of RMB294.5 million from RMB5,722.0 million as at 31 December 2022. The increase in the Group's bank loans and other borrowings during the Reporting Period was mainly due to the reduction in the scale of financing for bills payable as a result of the active adjustment of the financing structure according to market changes, and funds provided by financial institutions also increased accordingly.

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 2023 was 62.1% (2022: 65.4%).

Human resources

As at 31 December 2023, the Group had 6,230 employees (31 December 2022: 6,785). Total staff costs for the year ended 31 December 2023, excluding Directors' remuneration were approximately RMB1,048.6 million (2022: RMB1,067.3 million).

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

Contingent liabilities

As at 31 December 2023, the Group had no significant contingent liabilities (31 December 2022: 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 2023, the pledge assets was consist of pledged deposits, inventories, property, plant and equipment, leasehold land, finance lease receivables, investment property amounted to RMB4,866.3 million (31 December 2022: RMB6,242.7 million) and equity of a subsidiary of the Company.

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 2023.

Disposals

The Group did not have any significant disposals of subsidiaries and affiliated companies during the year ended 31 December 2023.

INVESTMENT

The Group did not have any significant investment during the year ended 31 December 2023.

EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 31 December 2023 and up to the date of this announcement.

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

During the year ended 31 December 2023, 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 C1 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 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 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 C3 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 2023.

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 2023 (2022: nil) according to the Group's development plan, having comprehensively considered factors including the macroeconomic environment, the current operation of the Company, and future development fund requirements.

ANNUAL GENERAL MEETING

The 2024 annual general meeting of the Company (the "**2024 AGM**") will be held on Friday, 14 June 2024. Notice of the 2024 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 2024 AGM, the register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2024 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, 7 June 2024.

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 2023, and is of the view that the Group's consolidated financial statements for the year ended 31 December 2023 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 2023 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 2023 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company requiring printed copy and made available on the same websites in due course.

CHANGE OF REGISTERED OFFICE, PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

The Board hereby announces that with effect from 28 March 2024, the Company's registered office, principal share registrar and transfer agent in the Cayman Islands have been changed to:

Registered office

Ogier Global (Cayman) Limited
89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

Principal share registrar and transfer agent

Ogier Global (Cayman) Limited
89 Nexus Way, Camana Bay
Grand Cayman, KY1-9009
Cayman Islands

Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong remains as the Company's branch share registrar and transfer agent in Hong Kong.

By Order of the Board
Grand Baoxin Auto Group Limited
MA Fujiang
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Company's executive directors are Mr. MA Fujiang, Mr. WANG Sheng, 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.