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)
（於開曼群島註冊成立的有限公司）

Stock code 股份代號：1293

INTERIM REPORT 2017
中期報告

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LI Jianping *(Chairman)*
Mr. WANG Xinming *(President)*
Mr. LU Ao
Mr. QI Junjie

Non-executive Directors

Mr. ZHOU Yu
Mr. LU Linkui

Independent Non-executive Directors

Mr. DIAO Jianshen
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

AUDIT COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. WANG Keyi
Mr. CHAN Wan Tsun Adrian Alan

REMUNERATION COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. LI Jianping
Mr. WANG Keyi

NOMINATION COMMITTEE

Mr. WANG Keyi *(Chairman)*
Mr. LI Jianping
Mr. DIAO Jianshen

COMPANY SECRETARY

Mr. CHEN Changdong

AUTHORISED REPRESENTATIVES

Mr. LI Jianping
Mr. CHEN Changdong

STOCK CODE

1293

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AUDITORS

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower,
1 Tim Mei Avenue, Central, Hong Kong

Dear shareholders,

On behalf of the board of directors (the "**Board**") and the management of Grand Baoxin Auto Group Limited (the "**Company**"), I am pleased to present the interim report of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the six months ended 30 June 2017 (the "**Reporting Period**").

In the first half of 2017, affected by the policy to reduce vehicle purchase tax concessions by 50%, the PRC automobile market experienced a slowdown in the growth of sales. According to the half-year production and sales data published by the China Association of Automobile Manufacturers, the production and sales volume of passenger vehicles was 11,482,700 units and 11,253,000 units, representing a year-on-year growth of 3.16% and 1.61%, respectively, which were 4.16 percentage points and 7.62 percentage points lower, respectively, as compared with the same period last year. However, benefited from factors such as consumption upgrade and luxury automobile product cycle, the sales of luxury automobiles achieved growth of 18.3% in the first half of the year, which was far higher than the sales growth of the overall automobile market. Coupled with the stabilization and recovery of the macroeconomy and the resumption of consumer confidence, the demand for luxury automobiles and their brand penetration will also continue to rise steadily and customers of luxury automobiles are becoming increasingly young.

The formal introduction of the Measures for the Administration of Automobile Sales (the "**Measures**") issued by the Ministry of Commerce on 1 July this year prompted manufacturers and distributors to rationalize their relationship, drove distributors and manufacturers to regulate and improve their own management standard, optimized and innovated the business model, increased customer satisfaction and created a market environment for more equitable competition. In the long run, this will also generate more profit models.

The strategic integration between the Group and China Grand Automotive Services Co., Ltd. (廣匯汽車服務股份公司) ("**CGA**", together with its subsidiaries, the "**CGA Group**") last year has achieved results. The overall operation and management capability of the Company's regional and 4S stores was significantly enhanced, and a mature model for conducting business and a mature vehicle distribution service system were formed, which enabled the traditional business and the extended business to achieve sustainable development.

In the first half of 2017, the Group upgraded its sales management system to further enhance the marketing and customer attraction capability and the sales deal closing capability of 4S stores. Meanwhile, through the integration of resources, the Group strengthened its ability to obtain manufacturers rebate, increase the penetration rate of whole car extended business, thereby stabilising and improving consolidated gross margin of new automobile sales. During the Reporting Period, the performance of the Group's new automobile sales business was remarkable, recording revenue of approximately RMB13.8949 billion, up approximately 45.9% as compared to the same period last year. At the same time, as the vehicle inventory and the average vehicle age continue to increase, the aftermarket has gradually developed into a new focus of the industry, and increasing contribution from after-sales services and the extended business industry chain have also become a new profit breakthrough point of automobile distributors at the moment. During the Reporting Period, the Group fully focused on and satisfied the different demands of customers for various automobile models and automobile age groups, and continued to provide efficient and high-quality after-sales services to increase customer viscosity. As of the first half of 2017, revenue from the Group's after-sales business was RMB1.7543 billion, representing a year-on-year increase of 30.5%.

As always, the Group followed its brand and regional strategies to expand its distribution networks into regions with great market potential and integrate underperforming dealership stores to improve capital operation efficiency and overall profitability. As of the first half of 2017, the Group had 108 automobile dealership stores, including 86 stores for luxury brands, 17 stores for mid- to high-end brands, 2 independent repair centers and 3 decoration and damage assessment centers.

Looking forward, the Group will further leverage on the CGA Group's edge in business diversification and gradually reach the economies of scale arising from the strategic integration, optimise and upgrade the management model, further reduce operation costs and improve profitability of the Group. Based on long-term interests, while steadily developing the existing new automobile sales and after-sales businesses, the Group will actively develop insurance, second-hand vehicles and automobile finance and other extended industrial chains, follow market trends, timely grasp market opportunities and further expand diversified profit channels. As always, the Group will also strengthen strategic partnership with automobile manufacturers and further capitalise on its existing well-established automobile distribution network and platform advantage to increase automobile finance and second-hand vehicle penetration. Adhering to the principle of customer first, it will create brand-new and comprehensive customer service experiences and reinforce customers' recognition of the "Grand Baoxin" brand, thereby increasing customer stickiness and the customer retention rate.

Lastly, on behalf of the Group, I would like to express my heartfelt gratitude to our shareholders, customers and business partners for their consistent support and all employees for their hard work. We will continue to provide comprehensive high-quality services to our customers and a good development platform to our employees and create higher values and returns for our shareholders.

Li Jianping
Chairman

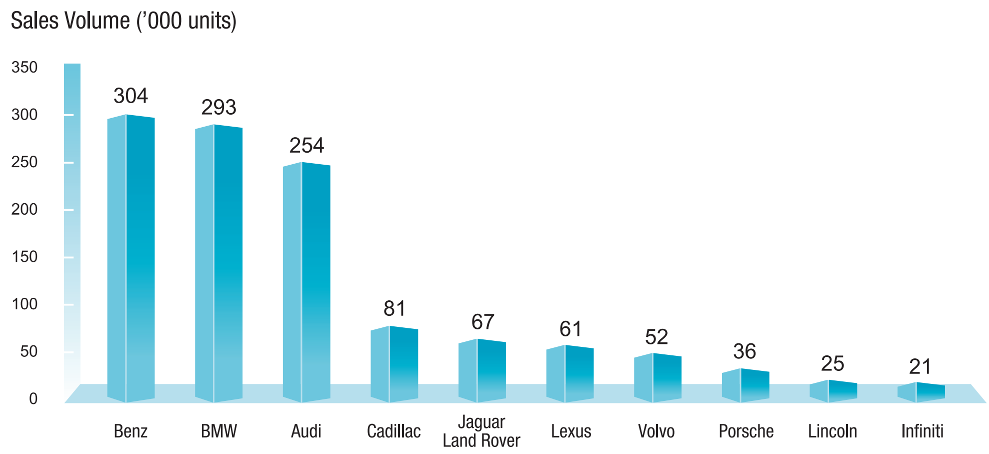
Hong Kong, 25 August 2017

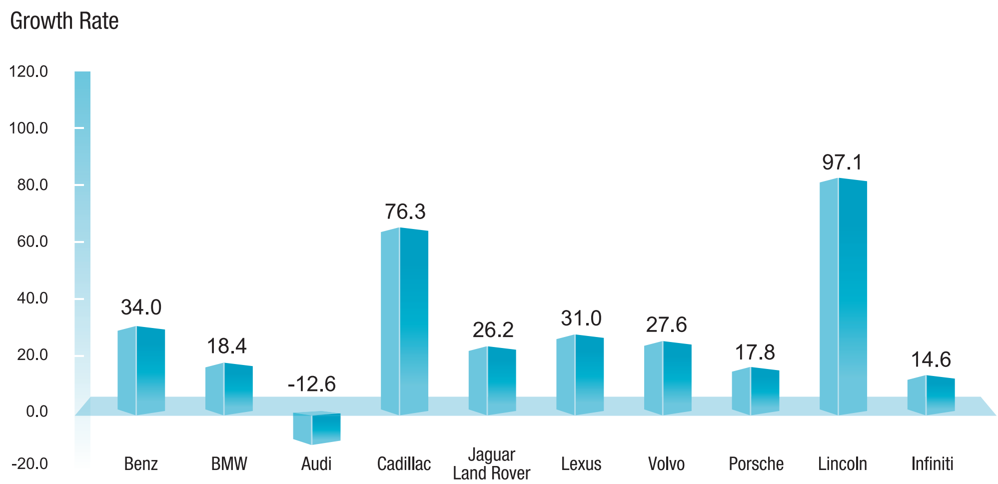
INDUSTRY OVERVIEW

In the first half of 2017, China's economy grew steadily with GDP growth rate rising to 6.9%, up 0.2 percentage points as compared to the growth rate of the previous year and ranking top among the world's major economies. Meanwhile, consumption has become the main driver for economic growth, with final consumption expenditure contributing to 63.4% of economic growth in the first half of the year. After more than 10 years of rapid development, domestic automobile market has now entered into a new stage of steady growth. According to the statistics from the China Association of Automobile Manufacturers, the production and sales volume of automobiles recorded 13,525,800 units and 13,353,900 units in the first half of 2017, representing a year-on-year growth of 4.64% and 3.81%, respectively. The production and sales volume of passenger vehicles amounted to 11,482,700 units and 11,253,000 units, representing a year-on-year growth of 3.16% and 1.61%, respectively. The slowing-down growth in China's automobile market in the first half of 2017 was mainly attributable to a range of policy adjustments, including the halving of preferential policies on vehicle purchase tax.

Benefited from factors such as consumption upgrades and cycles of luxury car products, the growth rate of luxury automobile brands was higher than the industry average. As indicated by the statistics published by the State Information Center, the year-on-year growth of sales volume of luxury automobiles in the first half of 2017 was 18.3% (Note: representing the comparison of the aggregated sales volume of the top 10 luxury automobile brands, in the order of Benz, BMW, Audi, Cadillac, Jaguar & Land Rover, Lexus, Volvo, Porsche, Lincoln and Infiniti). Sales volume of the three leading German brands (i.e. Benz, BMW and Audi) contributed to 71.3% of the total sales volume of the top 10 luxury automobile brands.

Sales volume and year-on-year growth rate of top ten luxury automobile brands in China in the first half of 2017





Source: Automobile manufacturers

The three major brands distributed by the Group are BMW, Jaguar & Land Rover and Maserati. In the first half of the year, the growth rate in sales volume of BMW in China amounted to 18.4%, representing an increase of 11 percentage points as compared to the same period of last year. In June this year, BMW launched the new Series 5 sedan for a comprehensive upgrade in technology and control, which is expected to contribute to the growth in sales volume of BMW in the second half of the year. Growth rate in sales volume of Jaguar & Land Rover amounted to 26.2% in the first half of the year, mainly benefited from the growth in sales volume of the XFL and F-PACE models. In the second half of the year, Jaguar & Land Rover will introduce two new models, namely the new Velar and the domestically produced XE sports cars, which will further enrich the lineup of the brand's products. Benefited from the sales contribution of Levante, sales volume of brand Maserati recorded a year-on-year growth amounting to 110.4% in the first half year, ranking 11th in the sales volume of luxury brands in China.

In the first half of 2017, the automobile market in China began to enter into a stage of adjustment and reform, with intensive introduction of various policies that promoted the healthier development of the automotive industry. On 14 April, the Ministry of Commerce issued "The Measures for the Administration of Automobile Sales (汽車銷售管理辦法)" which formally came into force on 1 July 2017 to replace the "Implementation Measures for the Sales Management of Automobile Brands (汽車品牌銷售管理實施辦法)". The introduction of the said policy drove the resumption of rational relationships between manufacturers and distributors, and adjusted the relationship between responsibilities, rights and interests of entities in the market, which were more conducive to the creation of a market environment for fair competition. In addition, policies for new energies were frequently introduced, including the "Rules on the Production Admission Administration of New Energy Automobiles (新能源汽車生產企業及產品准入管理規定)", and the "Action Plan for Promoting the Development of the Automotive Battery Industry (促進汽車動力電池產業發展行動方案)" to effectively ease the pressure on energies and the environment, and to promote the sustainable development of the automotive industry. With the further expansion of the scale of passenger cars ownership in China and the continuous upgrade of consumption structure of consumers, the passenger car market in China will still have room for development. Meanwhile, the huge demand for after-sales services brought about by the growth in average age of automobile will also expand the size of after-sales market for automobiles.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In the first half of 2017, through integration with the CGA Group last year, the Company further optimised its operation and management capabilities within regions and 4S stores, and continued to deepen cooperation among business sectors, resulting in stable development of new automobile sales and after-sales services, substantial increase in business income of the automobile value-added business, and the overall enhancement of profitability and sustainable development of its stores.

Further advancement of internal integration

Optimising business model: through stable sales and after-sales business development of new automobiles, the Group continued to increase the contribution from value-added automotive business, forming mature business development models and distribution services systems for automobiles to allow for the sustainable development of the traditional business and extended business. In the first half of 2017, the proportion of gross profit contributed by commission from automobile value-added services amounted to 18.1%, representing a year-on-year growth of 3.7 percentage points.

Enhancing management standards: the Group further improved its management system and developed detailed assessment objectives for regions and 4S stores, with special focus on strengthened assessment for automobile value-added services. Through timely statistical analysis of operating data from the information management system, the Group conducted all-round comparison and analysis of financial and operation data of the Company's seven regions at monthly operational analysis meetings, as well as in-depth analysis of the status of key stores based on brands, and in this way other 4S stores in the Group learned from the successful business experience of those 4S stores with outstanding performance.

Information management system fully implemented: in the first half of 2017, the ERP management system has been fully functional in all regions and 4S stores after the trial operation stage. Such information management system enabled full integration, total control, real-time feedback and dynamic coordination of all stores in aspects such as sales management, inventory management, financial management and operation management, and provided solid basis for the management and decision-making at headquarters and regions in a timely manner, significantly enhancing management efficiency and maximising synergies.

Stable development of new automobile sales and after-sales services

In the first half of 2017, the Group upgraded its sales management system to further enhance the marketing and customer absorption capacity as well as sales completion capacity of 4S stores. During the sales process, targeted control was made on the whole process of sales of new automobiles at each store, including on indicators such as customer flow, retention rates, invitation-to-shop rates, test ride and test drive rates as well as turnover rates to improve the original sales process. Meanwhile, promotion of digital marketing platform was strengthened to carry out standardised management of potential customer resources online to promote effective enhancement of sales. In addition, the Company fully enhanced its new car price management model through resources integration to strengthen the ability to obtain manufacturers rebate, increase the penetration rate of whole car extended business, thereby stabilising and improving consolidated gross margin of new automobiles. As at 30 June 2017, the Group had sold a total of 45,591 new cars, representing a year-on-year increase of 56.6%, of which sales for luxury brand cars was 33,040, representing a year-on-year increase of 36.7%, and sales for cars of medium- to high-end brands amounted to 12,551, representing a year-on-year increase of 153.9%.

In respect of after-sales services, the Group continued to strengthen its internal control, integrate resources and streamline management, carried out innovative projects and introduced new products to enhance the overall scale of after-sales services. Meanwhile, the Company fully focused on and met different maintenance requirements and experience of customers for various models and age groups, and continued to carry out technical upgrade and innovation, develop products and services to meet customer needs, nurture and strengthen online and offline customer communication channels to increase customer retention rate. Through its stabilised repair and maintenance team, enhanced technological and service capabilities, normal conduction of market promotion and full leverage of brand support policies to attract customers back to the stores, with focus on soliciting vehicles of 3-5 years and more than 5 years to be back to the stores, the Group experienced continuous increase in unit admission in the first half of 2017. As at 30 June 2017, revenue from after-sales services of the Group reached 1,754.3 million, representing a year-on-year increase of 30.5%, and gross margin of after-sales services increased to 47.6%.

Improved profit contribution of extended business

In the first half of 2017, the Company conducted close and deep cooperation with the CGA Group in extended businesses such as insurance, second-hand vehicles and automobile finance. The business scale, internet resource and innovation capability of the CGA Group provided powerful support and protection to the Company. As at 30 June 2017, the commission income from the automobile value-added service reached RMB 296 million, representing a year-on-year increase of 83.6%.

Continuous growth of insurance business

The Group continued to improve the organisation structure and system of its insurance business department, improve the allocation of servicing staff and provide more professional services to customers. Meanwhile, we stepped up internal evaluation on first-time insurance, insurance renewal and extended insurance services to enhance the penetration rates of various businesses and increase the size of insurance premiums. During the first half of 2017, the commission income from the Group's automobile insurance business increased by 162.4% as compared to the same period in 2016, the ratio of first-time insurance of the Company increased by 2.6 percentage points as compared to the full year of 2016, and the average commission rate of return increased by 10 percentage points. The insurance renewal rate and commission rate of return on insurance renewals also increased to various degrees.

Solid progress made in pre-owned automobile business

Starting from the second half of 2016, the Group's pre-owned automobile business model began its transformation and upgrade. Its scope of business upgraded to all-round pre-owned automobile business in various automobile consumption segments surrounding the customers of 4S stores. The sources of automobiles were more diversified and expanded to include trade-in, direct purchase, consignment and test-drive automobiles; sales approach also changed into a combination of wholesale (auction) and retail. Meanwhile, the Company established a brand new performance evaluation system and management system for pre-owned automobiles, and upgraded the pre-owned automobile management system to complement the management of the pre-owned automobile business. Through the implementation of various measures, the capability and management of the pre-owned automobile business were enhanced continuously, including team building, new system, new business model, new performance system and management system. Hence, building on this foundation, the Company's pre-owned automobile business improved rapidly in the second half of the previous year, trading volume of pre-owned automobiles increased by 258% in the first half of 2017 on the year-on-year basis.

Stable development of automobile finance business

In 2016, domestic automobile finance and finance leasing market penetration rate was about 35%, and there was huge room for improvement as compared to the penetration rate of over 85% in North America. During the first half of 2017, leveraging on the experience and management of the CGA Group in automobile finance business, the Company developed its automobile finance business through the Group's stores. Through collaborated development of automobile loans and finance leasing business, the Company provided its customers with diversified financial instruments for purchase and use of automobiles, thus achieving a persistent increase in its financial penetration rate. During the first half of 2017, through streamlining and optimising staff in the store finance line, as well as introducing new training and evaluation mechanism to strengthen communication with automobile manufacturers in finance, the automobile finance penetration rate of the Company reached over 40%, representing an increase of 9 percentage points as compared to the first half of 2016.

In respect of finance leasing, since the consolidation last year, the business structure of Shanghai Dingxin Financial Leasing Co., Ltd. ("Dingxin Leasing"), a wholly-owned subsidiary of the Company, has been developing steadily. Dingxin Leasing focused on the provision of positive leasing products across stores, which set residual value at the end of leasing period, and undertook to provide packaged service products throughout the entire leasing period, including derivative services such as automobile insurance, extended insurance and basic maintenance services, providing one-stop financing services for the purchase and use of automobiles to customers, and creating financial products differentiated from banks and BMW financing to enhance automobile sales support and profitability at its stores. The size of interest-bearing leasing assets of Dingxin Leasing was expected to reach RMB1 billion in 2017.

Distribution network layout

In the first half of 2017, following its brand and regional strategies, the Group expanded its distribution networks into regions with great market potential. Apart from a new 4S store of BMW in Wuxi, the Company has newly acquired in March six 4S stores and a showroom, including two 4S stores of BMW, two 4S stores of Porsche, a showroom of Porsche and two 4S stores of Maserati. The acquisition was an important step for the Company to implement its strategy of nationwide full coverage of automobile brands. Through such layout expansion in developed areas in the middle and lower reaches of the Yangtze River, the Company further integrated with the acquired companies in aspects such as brand layout management, region management, business cooperation, salary and performance appraisal management and fund management. The new stores of Maserati have further expanded the Group's distribution network of the brand, making the Group the largest distributor of the brand in China. In the first half of the year, the Company newly became the agent for the brand Alfa Romeo. As at 30 June 2017, 7 stores have obtained the distribution rights of the brand.

Meanwhile, in the first half of the year, the Group closed 3 under-performing stores, including a Buick store, a Chevrolet store and a GMC store in Shanghai to improve its capital efficiency and overall profitability. As at 30 June 2017, the Group had 108 automobile dealership stores, including 86 stores for luxury brands, 17 stores for mid- to high-end brands, 2 independent repair centers and 3 decoration and damage assessment centers.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, our revenue was RMB15,671.0 million, representing a growth of approximately 44.1% compared to the same period in 2016. The increase was primarily due to an increase of RMB4,370.4 million, or 45.9%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2016.

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

	Unaudited For six months ended 30 June 2017		Unaudited For six months ended 30 June 2016	
Revenue Source	Revenue *(RMB'000)*	Contribution *(%)*	Revenue *(RMB'000)*	Contribution *(%)*
Automobile sales	**13,894,865**	**88.7**	9,524,462	87.6
After-sales business	**1,754,254**	**11.2**	1,344,089	12.4
Finance lease income	**21,876**	**0.1**	2,850	0.0
Total	**15,670,995**	**100.0**	10,871,401	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 88.7% of our revenue for the six months ended 30 June 2017. Revenue generated from the sale of luxury and ultra-luxury brands and our mid-to-upper market brands accounted for approximately 88.7% (six months ended 30 June 2016: 93.7%) and 11.3% (six months ended 30 June 2016: 6.3%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB4,370.4 million was mainly attributable to the increase in revenue generated from the sales of luxury and ultra-luxury cars.

Revenue from our after-sales business increased by 30.5% from RMB1,344.1 million for the six months ended 30 June 2016 to RMB1,754.3 million for the same period in 2017. The Group continues to focus on, and is strengthening the management of, its after-sales business. The increase in revenue from after-sales business was attributable to the Group's pro-active measures to increase our stores' after-sales capacity. For the mature stores, we have been adding repair and maintenance workshops, boosting utilisation rates, and optimising operation procedures in order to generate higher after-sales revenue. For the less mature stores, we achieved an increase in revenue by attracting more customers through implementing the membership system, encouraging return visits by customers, and launching promotion campaigns at our stores. This has attributed to the significant revenue growth from after-sales business. The relative contribution of our after-sales business to our revenue decreased from 12.4% for the six months ended 30 June 2016 to 11.2% for the same period in 2017.

Cost of sales and services

For the six months ended 30 June 2017, our cost of sales and services increased by 44.5%, from RMB9,914.6 million for the same period in 2016 to RMB14,327.0 million. This increase is consistent with the growth in our sales throughout the six months ended 30 June 2017.

The cost of sales and services attributable to our automobile sales business amounted to RMB13,407.1 million for the six months ended 30 June 2017, representing an increase of RMB4,219.0 million, or 45.9%, from the same period in 2016. The cost of sales attributable to our after-sales business amounted to RMB919.8 million for the six months ended 30 June 2017, representing an increase of RMB193.5 million, or 26.6%, from the same period in 2016.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2017 was RMB1,344.0 million, representing an increase of RMB387.1 million, or 40.5%, from the same period in 2016. Gross profit from automobile sales increased by 45.0% from RMB336.3 million for the six months ended 30 June 2016 to RMB487.8 million for the same period in 2017, of which RMB410.4 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 35.1% from RMB617.8 million for the six months ended 30 June 2016 to RMB834.5 million for the same period in 2017. Automobile sales and after-sales business contributed 36.3% and 62.1%, respectively, to the total gross profit for the six months ended 30 June 2017.

Gross profit margin for the six months ended 30 June 2017 was 8.6% compared to 8.8% of the same period last year, of which the gross profit margin of automobile sales was 3.5% compared to 3.5% of the same period last year, and after-sales business was 47.6% compared to 46.0% of the same period last year. The gross profit margin of automobile sales maintained stable during the period. As a result of strengthening the after-sales business management and optimising the operating procedures, gross profit margin of after-sales business increased by 1.6 percentage points compared to the same period last year.

Other income and net gains

Other income and net gains increased by 59.3% from RMB190.1 million from the six months ended 30 June 2016 to RMB302.8 million for the same period in 2017, mainly due to an increase in the service fee income and commission income from RMB161.4 million for the six months ended 30 June 2016 to RMB296.4 million for the same period of 2017. Our commission income increased because the Company (i) has carried out after-sale delicacy management and formulated a corresponding incentive policy, and (ii) strengthened cooperation with insurance companies.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2017 increased by 150.8% from RMB357.9 million in the same period last year to RMB897.6 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended 30 June 2017 increased by 499.7% from RMB66.8 million in the same period last year to RMB400.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

As at 30 June 2017, our cash and cash equivalents amounted to RMB2,735.6 million, representing a decrease of 26.5% from RMB3,721.3 million as at 31 December 2016.

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 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 six months ended 30 June 2017, our net cash used in operating activities, net cash used in investing activities, and net cash used in financing activities were RMB526.7 million (six months ended 30 June 2016: our net cash generated from operating activities: RMB471.7 million), RMB1,428.6 million (six months ended 30 June 2016: RMB138.4 million), and RMB919.1 million (six months ended 30 June 2016: RMB1,351.9 million), respectively.

Net Current Assets

As at 30 June 2017, we had net current assets of RMB6,117.0 million, representing an increase of RMB1,185.6 million from RMB4,931.4 million as at 31 December 2016.

Capital Expenditure

Our capital expenditures primarily comprise of expenditures on property, plant and equipment, land use rights and intangible assets. During the six months ended 30 June 2017, our total capital expenditure was RMB414.3 million (six months ended 30 June 2016: RMB257.7 million).

Inventory

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

Our average inventory turnover days in the six months ended 30 June 2017 decreased to 41.4 days from 51.0 days as compared to the same period in 2016, primarily due to increase in inventory at the end of June 2016 and the stringent inventory control policies, strict inventory monitoring and appropriate marketing strategies adopted by the Company for the current period in accordance with market conditions.

Interest-bearing bank and other borrowings

As at 30 June 2017, the Group's available and unutilised banking facilities amounted to approximately RMB13,990.9 million (31 December 2016: RMB6,259.7 million).

Our interest-bearing bank and other borrowings as at 30 June 2017 were RMB8,409.8 million, representing an increase of RMB857.4 million from RMB7,552.4 million as at 31 December 2016. The increase was due to (i) our capital expenditures on stores in built; and (ii) increased working capital requirements due to our new stores and increased sales at our other stores.

Interest rate risk and foreign exchange rate risk

The Group takes measures to mitigate interest rate and exchange rate risks. Interest rate swap instruments are used to manage interest rate risks whereas foreign exchange forward transactions are used to manage forex risks.

Gearing ratio

Our gearing ratio (as defined as net debt divided by equity attributable to owners of the Company plus net debt) for the six months ended 30 June 2017 was 67.6% (31 December 2016: 71.2%).

Human resources

As at 30 June 2017, the Group has approximately 7,371 employees (31 December 2016: 6,907). Total staff costs for the six months ended 30 June 2017, excluding directors' remuneration were approximately RMB406.5 million (six months ended 30 June 2016: RMB338.3 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 the competitiveness of the Group.

Contingent liabilities

As at 30 June 2017 and 31 December 2016, the Group had no significant contingent liabilities.

Pledge of the Group's assets

The Group had pledged its assets, vehicle certificates for certain inventories as securities against interest-bearing bank and other borrowings and bills payable which were used to finance its daily business operation and acquisition. As at 30 June 2017, the pledged group assets amounted to approximately RMB1,411.4 million (31 December 2016: RMB2,169.5 million); pledged vehicle certificates for certain inventories as at 30 June 2017 amounted to approximately RMB2,877.1 million (31 December 2016: RMB2,337.8 million).

Changes since 31 December 2016

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 2016.

OUTLOOK AND STRATEGY

According to the "Research Report on Operation Status and Investment Strategy of China's Automobile Market for 2017-2022 (2017-2022年中國汽車市場運行態勢及投資戰略研究報告)" published by Zhiyan Consulting, taking into account factors such as relatively low penetration rate of luxury brands in China as compared with developed countries, increased entry-level models of luxury brands and accelerated localisation, as well as people's strengthening purchase ability, luxury brand penetration in China is expected to exceed 15% in medium- to long-term. As a large domestic distributor of luxury and ultra-luxury brands, the Group will have huge development potentials and opportunities. The successive launch of new models of BMW and Jaguar & Land Rover and the rapid growth of Maserati will provide the space of rapid growth for all business segments of the Group.

Sales and after-sales maintenance services is the foothold for the Group's future development. Sales of new cars is the main channel of access to customer acquisition, and after-sales maintenance service is an important channel to retain customers and improve profitability. This is not only an important source of the Company's core competitiveness, but also an important cornerstone for the Company to develop its strategic emerging businesses. The Group will improve renovation to enhance service quality and efficiency, tap the potential of existing resources and enhance quality and efficiency. We will enhance customer service experience and strengthen customer viscosity through the provision of differentiated services and three-dimensional customer relationship management.

Meanwhile, the Group will grasp the development trend of the post-automobile service industry, explore and expand on new investment areas, extend the industrial chain and build the ecosystem for the whole industry chain of automotive services. In the future, based on traditional business such as sales and maintenance of new cars, the Company will vigorously develop insurance, extended insurance, second-hand vehicles, automobile finance and other formats of business to enhance its profitability.

The Company will continue to strengthen its 4S stores second-hand vehicle business, vigorously develop endogenous second-hand vehicle sources for 4S stores, and carry out business of second-hand vehicles with manufacturer brand certification in 4S stores. On the other hand, in the provinces where the stores are located, the Company will gradually construct and develop specialised offline second-hand vehicles service centers which process assessment and testing, preparation, value-added services, auction, retail and trading services capabilities to support and complement with 4S stores for second-hand vehicles, so as to expand external car sources and carry out professional sales and services. Successive layout has been made in Shanghai, Ningbo and other places in the first half of the year. The Group will leverage its geographical distribution advantages and brand advantages to carry out more extensive cooperation with e-commerce operators, which coupled with the domestic leading second-hand vehicle management system, will fully support the business segments and assessment test operation, providing strong support for the expansion of scale of the second-hand vehicle business.

In respect of automotive finance market, automotive finance, as the most valuable and dynamic segment in the automotive industry, is becoming the focus of market attention. With regards to the development pace, the growth rate of China's automotive finance is relatively fast despite the relatively low overall penetration rate. From 2001 to 2015, the overall size of the domestic automotive finance market increased by nearly 20 times to RMB900 billion from RMB43.6 billion, representing a CVGR of more than 80%. As the post-80/90 generations have gradually become the major consumption force, their more open concept of consumption will provide stronger driving force for the development of automotive finance. The Group will leverage the mature risk control system and product platform of the CGA Group to rapidly enhance the penetration rate and business scale of the automotive finance in the short term, and to increase the contribution to the Group's profit derived from the automobile finance segment.

Based on the general strategic plan of the Company and with the ERP platform as the core in the future, we will further reinforce the construction of the ERP system as the internal core system, strengthen office platform construction, realize the collaborative platform construction of internal and holding companies, support the utilization of external mature systems for new businesses while achieving the ongoing fusion and integration of emerging and fast-growing businesses. Through improving efficiency and leveraging synergies, we will consolidate the Group's advantages. In the future, the Group will realize data integration and analysis in respect of the core operation data and financial data of the 4S stores, and will use data analysis methods and techniques to conduct forecasts and analyses of business, capital and profitability, thereby enhancing business robustness and management control.

We will continue to improve and implement prudent business strategies, make timely adjustments to the development direction by focusing on our long-term interests, adapt to the latest trend and grasp opportunities in the market. In terms of the operations of new automobile sales and after-sales services, we will continue to strengthen strategic partnership with automobile manufacturers, integrate customer resources, and identify the service value of the entire life cycle of our customers. We will transform the loyalty of customers towards automobile brands into loyalty towards the service brands of automobile distributors, thereby increasing customer viscosity and the customer retention rate. In the meantime, we will capitalize on the well-established networks and platforms of the CGA Group to vigorously promote automobile value-added services. Under a volatile market environment, we will continue to strictly control the level of inventory and costs of operation and management to achieve the purposes of increasing income and decreasing expenditure as well as cutting costs and improving efficiency.

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Name of Director/chief executive	Nature of interest	Number of shares or underlying shares(1)	Approximate percentage of shareholding interest
Mr. Chen Changdong	Beneficial owner	4,376,349 (L)	0.17%

Notes:

(1) The letter "L" denotes the person's long position in such shares.

Save as disclosed above, as at 30 June 2017, none of the Directors, chief executives and their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the Share Option Scheme (as defined in the subsection "Share Option Scheme" below), during the six months ended 30 June 2017, the Company and any of its subsidiaries were not a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for those disclosed above, during the six months ended 30 June 2017, none of the Directors (including their spouses and children under the age of 18) held any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF THE SHAREHOLDERS UNDER THE SFO

As at 30 June 2017, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests and short positions in the shares of the Company and of its associated corporations (within the meaning of Part XV of the SFO) as set out above, had 5% or more interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO were as follows:

Name	Capacity/Nature of interest	Number of shares[4]	Approximate percentage of shareholding interest
China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) [1] [3]	Beneficial interest	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
China Grand Automotive Services Co., Ltd. (廣匯汽車服務有限責任公司) [1] [3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) [1] [3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
China Grand Automotive Services Co., Ltd. (廣匯汽車服務股份公司) [1] [3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司) [1] [3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Mr. Sun Guangxin[1] [3]	Interest in controlled corporation	1,917,983,571 (L) 1,917,983,571 (S)	67.60% 67.60%
Baoxin Investment Management Ltd. [2]	Beneficial interest	252,754,130 (L)	8.91%
Mr. Yang Aihua[2]	Interest in controlled corporation	252,754,130 (L)	8.91%
China Merchants Bank Co., Ltd. (Shanghai Songjiang Branch) (招商銀行有限公司上海松江支行) [3]	Person having a security interest in shares	1,917,983,571 (L)	67.60%

Notes:

(1) China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) is wholly owned by Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) (which is in turn owned as to approximately 49.37% by CGA Limited and approximately 50.63% by CGA). CGA Limited is wholly owned by CGA which is owned as to approximately 37.26% by Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司). Mr. Sun Guangxin holds approximately 63.60% of the shares in Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司). Each of CGA Limited, Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司), CGA, Xinjiang Guanghui Industry Investment Group Co., Ltd. (新疆廣匯實業投資(集團)有限責任公司) and Mr. Sun Guangxin are deemed to be interested in the shares held by China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司).

(2) Baoxin Investment Management Ltd. is wholly owned by Mr. Yang Aihua. Mr. Yang Aihua is deemed to be interested in the shares held by Baoxin Investment Management Ltd.

(3) On 1 September 2016, China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) executed a share charge over the 1,917,983,571 shares held by it (in favour of China Merchants Bank Co., Ltd. (Shanghai Songjiang Branch) (招商銀行有限公司上海松江支行) as the security agent) under a syndicated loan facility granted to CGA.

(4) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at 30 June 2017.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

In accordance with the requirements under Rule 13.21 of the Listing Rules, the Directors report that, on 12 May 2017, the Company (as the borrower) entered into a facility agreement (the "**Facility Agreement**") with, among others, a syndicate of banks (collectively, the "**Lenders**") with Standard Chartered Bank (Hong Kong) Limited acting as the facility agent (the "**Facility Agent**") for a term loan facility in the principal amount of up to US$763,400,000 (which may be increased pursuant to the exercise by the Company of a green shoe option in an amount of not more than US$86,600,000) (the "**Facility**"). The Facility is available for drawdown for a period of six (6) months from the date of the Facility Agreement and the loans made under the Facility Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. The purpose of the Facility is primarily to refinance the existing indebtedness of the Company and for the corporate funding requirement of the Company.

Pursuant to the Facility Agreement, upon the occurrence of a "Change of Control", any of the Lenders may cancel any or all of its commitments under the Facility and declare its participation in the loans together with accrued interest, and all other amounts accrued or outstanding thereunder, to be immediately due and payable.

A "Change of Control" is defined under the Facility Agreement to include, among others:

(i) CGA (the shares of which are listed on the Shanghai Stock Exchange (SSE Stock Code: 600297), directly or indirectly, ceases to be the single largest shareholder of the Company or ceases to have control over the Company; or

(ii) CGA ceases to beneficially own, directly or indirectly, 100% of the issued share capital of China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) ("**CGA HK**") or ceases to control CGA HK.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, throughout the six months ended 30 June 2017, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1 and A.4.1.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Our chairman, Mr. Li Jianping is responsible for the operation and management of the Board and no chief executive office is appointed. 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.

Under code provision A.4.1, the non-executive Directors should be appointed for a specific term and subject to re-election. Mr. Lu Linkui, who was appointed as a non-executive Director with effect from 31 March 2014, did not enter into any service contract with the Company and does not have a specific term of appointment. However, Mr. Lu Linkui is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Lu Linkui retired and was re-elected as a non-executive Director at the annual general meeting of the Company held on 28 June 2017. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 2017.

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.

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 Mr. Diao Jianshen (chairman), Mr. Wang Keyi and Mr. Chan Wan Tsun Adrian Alan, all of whom are independent non-executive Directors. The written terms of reference of the Audit Committee, the revised form of which was approved by the Board on 31 August 2015, are available at the websites of the Company and the Stock Exchange.

The Audit Committee has considered and reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 and are of the view that the Group's condensed consolidated financial statements for the six months ended 30 June 2017 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

Neither the Company nor any of its subsidiaries purchased, redeemed, or sold any of the Company's listed securities during the six months ended 30 June 2017 and at or before the date of this report.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

Acquisition

On 27 March 2017, Suzhou Baoxin Automotive Distribution Services Co., Ltd.* (蘇州寶信汽車銷售服務有限公司), an indirect wholly-owned subsidiary of the Company (the "**Purchaser**"), entered into an acquisition agreement with Li Yuesheng (李躍勝), Li Zhirong (李志榮), Li Guoqin (李國琴), Wu Tingjie (吳挺捷), Whenzhou Kaiyuan Group Limited* (溫州開元集團有限公司), Whenzhou Zhenan Electromechanical Equipment Co., Ltd* (溫州浙南機電設備有限公司) and Wenzhou Senyuan Electrical Co., Ltd* (溫州市森源電器有限公司) (the "**Vendors**"), pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to buy the entire equity interest of the Vendors' six subsidiaries. Please refer to the announcement of the Company dated 27 March 2017 for further details.

Disposals

On 24 May 2017, the Company and Shanghai Jida Investments Management Co., Ltd.* (上海集達投資管理有限公司) ("**Shanghai Jida**"), a wholly-owned subsidiary of the Company, entered into the following disposal agreements:

(1) the disposal agreement between the Company and CGA HK, pursuant to which the Company has conditionally agreed to sell, and CGA HK has conditionally agreed to purchase, the entire equity interest of Baoxin Auto Finance I Limited;

(2) the disposal agreement between the Company and CGA HK, pursuant to which the Company has conditionally agreed to sell and CGA HK has conditionally agreed to purchase 25.55% equity interest of Dalian Baoxin Huiyu Automobile Investments Management Co., Ltd* (大連寶信匯譽汽車投資管理有限公司) ("**Dalian Huiyu**"); and

(3) the disposal agreement between Shanghai Jida and Shanghai Huiyong Automotive Distribution Co., Ltd.* (上海匯湧汽車銷售有限公司) ("**Shanghai Huiyong**"), pursuant to which Shanghai Jida has conditionally agreed to sell and Shanghai Huiyong has conditionally agreed to purchase 74.45% equity interest of Dalian Huiyu.

The disposals were completed on 30 June 2017. Please refer to the announcements and circular of the Company dated and 24 May 2017, 12 June 2017 and 30 June 2017 for further details.

Placing

On 6 June 2017, the Company, Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch (the "**Placing Agents**") entered into legally binding placing arrangements, pursuant to which each of the Placing Agents has conditionally agreed to act as agent for the Company to procure the placee to subscribe for, and failing which, to subscribe for itself, up to 280,000,000 new shares of the Company. The placing was successfully completed on 14 June 2017. The Company intended to use the net proceeds from the placing of new shares for expansion and development of the Group's business and general working capital purpose. For further details, please refer to the announcements of the Company dated 6 June 2017 and 14 June 2017.

Save as disclosed above, neither the Company, nor any of its subsidiaries held any significant investment, or entered into any significant acquisition or disposal during the six months ended 30 June 2017.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The Share Option Scheme became effective on 14 December 2011 and will remain valid and effective for a period of 10 years from that date. A summary of the terms of the Share Option Scheme is set out in appendix VI to the Company's prospectus dated 2 December 2011.

During the six months ended 30 June 2017 and as at 30 June 2017, no share option was granted or outstanding. Particulars to the Company's share option scheme are set out in note 17 to the financial statements.

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2017

	Notes	**Unaudited For the six months ended June 30, 2017** ***RMB'000***	Unaudited For the six months ended June 30, 2016 *RMB'000*
REVENUE	4(a)	**15,670,995**	10,871,401
Cost of sales and services provided	5(b)	**(14,327,034)**	(9,914,574)
Gross profit		**1,343,961**	956,827
Other income and gains, net	4(b)	**302,790**	190,119
Selling and distribution expenses		**(414,630)**	(448,646)
Administrative expenses		**(334,494)**	(340,421)
Profit from operations		**897,627**	357,879
Finance costs	6	**(333,667)**	(241,989)
Share of profits of:			
A joint venture		**1,496**	2,782
Associates		**929**	—
Profit before tax	5	**566,385**	118,672
Income tax expense	7	**(165,943)**	(51,902)
Profit for the period		**400,442**	66,770
Attributable to:			
Owners of the parent		**400,327**	64,436
Non-controlling interests		**115**	2,334
		400,442	66,770
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the period (RMB)	9	**0.16**	0.03

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
Profit for the period	**400,442**	66,770
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**77,926**	(90,027)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**77,926**	(90,027)
Other comprehensive income for the period, net of tax	**77,926**	(90,027)
Total comprehensive income for the period	**478,368**	(23,257)
Attributable to:		
Owners of the parent	**478,253**	(25,591)
Non-controlling interests	**115**	2,334
	478,368	(23,257)

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2017

	Notes	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,026,206**	3,740,983
Prepaid land lease payment		**494,008**	498,706
Intangible assets		**1,164,877**	989,736
Prepayments and deposits		**269,424**	258,534
Finance lease receivables	10	**562,505**	4,589
Goodwill		**892,788**	224,776
Derivative financial instruments		**—**	1,421
Investment in a joint venture		**58,137**	56,641
Investments in associates		**39,552**	38,623
Available-for-sale investment		**17,219**	17,747
Deferred tax assets		**168,136**	121,858
Total non-current assets		**7,692,852**	5,953,614
CURRENT ASSETS			
Inventories	11	**3,649,202**	2,935,521
Trade receivables	12	**728,038**	650,830
Prepayments, deposits and other receivables		**6,535,743**	6,118,226
Amounts due from related parties	21(c)	**61,867**	103,797
Finance lease receivables	10	**383,953**	18,757
Equity investments at fair value through profit or loss		**—**	12,050
Derivative financial instruments		**—**	24,424
Pledged bank deposits		**1,318,248**	2,142,842
Cash in transit		**91,855**	108,602
Cash and cash equivalents		**2,735,552**	3,721,285
Total current assets		**15,504,458**	15,836,334

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2017

	Notes	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	3,287,483	4,800,609
Trade and bills payables	14	3,800,606	4,624,595
Other payables and accruals		1,813,874	1,202,460
Amounts due to related parties	21(c)	6,506	—
Income tax payable		371,379	277,260
Derivative financial instruments		107,624	—
Total current liabilities		9,387,472	10,904,924
Net current assets		6,116,986	4,931,410
Total assets less current liabilities		13,809,838	10,885,024
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	5,122,310	2,751,757
Senior perpetual capital securities	15	—	2,708,415
Other payables		58,525	25,510
Deferred tax liabilities		412,609	357,871
Derivative financial instruments-non current		19,151	—
Amount due to a related party	21(c)	1,844,178	—
Total non-current liabilities		7,456,773	5,843,553
Net assets		6,353,065	5,041,471
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	23,275	20,836
Reserves		6,288,726	4,980,904
		6,312,001	5,001,740
Non-controlling interests		41,064	39,731
Total equity		6,353,065	5,041,471

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2017

	Share capital	Share premium	Share option reserve	Statutory reserve	Meger Reserve	Other Reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 16	*Note 16*									
At January 1, 2016	20,836	1,767,128	31,670	383,276	(58,327)	(3,744)	(261,160)	3,055,251	4,934,930	37,526	4,972,456
Profit for the period	—	—	—	—	—	—	—	64,436	64,436	2,334	66,770
Other comprehensive income for the period:											
Exchange differences related to foreign operations	—	—	—	—	—	—	(90,027)	—	(90,027)	—	(90,027)
Total comprehensive income for the period	—	—	—	—	—	—	(90,027)	64,436	(25,591)	2,334	(23,257)
Equity-settled share-based transactions	—	—	(2,651)	—	—	2,651	—	—	—	—	—
At June 30, 2016	20,836	1,767,128	29,019	383,276	(58,327)	(1,093)	(351,187)	3,119,687	4,909,339	39,860	4,949,199
At January 1, 2017	**20,836**	**1,767,128**	**29,019**	**450,400**	**(58,327)**	**(19,066)**	**(593,566)**	**3,405,316**	**5,001,740**	**39,731**	**5,041,471**
Profit for the period	—	—	—	—	—	—	—	**400,327**	**400,327**	**115**	**400,442**
Other comprehensive income for the period:											
Exchange differences related to foreign operations	—	—	—	—	—	—	**77,926**	—	**77,926**	—	**77,926**
Total comprehensive income for the period	—	—	—	—	—	—	**77,926**	**400,327**	**478,253**	**115**	**478,368**
Acquisition of non-controlling interests	—	—	—	**(4,519)**	—	**(10,409)**	—	—	**(14,928)**	**(10,782)**	**(25,710)**
Capital injection from non-controlling shareholders of a subsidiary	—	—	—	—	—	—	—	—	—	**12,000**	**12,000**
Issue of shares	**2,439**	**844,497**	—	—	—	—	—	—	**846,936**	—	**846,936**
At June 30, 2017	**23,275**	**2,611,625**	**29,019**	**445,881**	**(58,327)**	**(29,475)**	**(515,640)**	**3,805,643**	**6,312,001**	**41,064**	**6,353,065**

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017

	Notes	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
Operating activities			
Profit before tax		**566,385**	118,672
Adjustments for:			
Share of profit of a joint venture		**(1,496)**	(2,782)
Share of profits of associates		**(929)**	—
Depreciation of property, plant and equipment	5(c)	**223,094**	164,263
Amortisation of prepaid land lease payment	5(c)	**9,717**	7,726
Amortisation of intangible assets	5(c)	**25,348**	19,447
Net loss on disposal of subsidiaries	4(b)	**15,093**	—
Fair value loss/(gain), net:			
Derivative instruments	4(b)	**135,830**	(11,341)
Equity investments at fair value through profit or loss	4(b)	**891**	9,938
Write-down of inventories to net realisable value	5(c)	**4,668**	46,683
Interest income	4(b)	**(5,309)**	(14,468)
Net gain on disposal of items of property, plant and equipment	4(b)	**(1,545)**	(215)
Net loss on disposal of items of intangible assets	4(b)	**—**	1,325
Impairment of goodwill	5(c)	**—**	25,051
Finance costs	6	**333,667**	241,989
		1,305,414	606,288
Decrease in pledged bank deposits		**958,776**	970,915
Decrease in cash in transit		**18,834**	16,052
(Increase)/decrease in trade receivables		**(33,486)**	121,999
Increase in prepayments, deposits and other receivables		**(54,896)**	(408,423)
Increase in inventories		**(460,597)**	(755,729)
(Decrease)/increase in trade and bills payables		**(1,155,979)**	45,052
Decrease in other payables and accruals		**(127,158)**	(84,805)
(Increase)/decrease of finance lease receivables		**(923,112)**	10,170
Increase in amounts due to related parties-trade related		**6,506**	—
Decrease in amounts due from related parties-trade related		**41,930**	—
Cash (used in)/generated from operations		**(423,768)**	521,519
Income tax paid		**(102,929)**	(49,844)
Net cash (used in)/generated from operating activities		**(526,697)**	471,675

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017

	Note	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unadited For the six months ended June 30, 2016 *RMB'000*
Investing activities			
Purchase of items of property, plant and equipment		**(390,403)**	(276,863)
Proceeds from disposal of items of property, plant and equipment		**147,876**	134,564
Purchase of intangible assets		**(289)**	(768)
Purchase of equity investments at fair value through profit or loss		**—**	(100)
Acquisition of subsidiaries, net of cash		**(350,688)**	(9,718)
Disposal of subsidiaries	19	**(842,616)**	—
Proceeds from disposal of embedded derivative financial assets		**22,999**	—
Proceeds from disposal of equity investments at fair value through profit or loss		**11,159**	—
Acquisition of non-controlling interests		**(25,710)**	—
Purchase of embedded derivative financial assets		**(6,209)**	—
Interest received		**5,309**	14,468
Net cash used in investing activities		**(1,428,572)**	(138,417)
Financing activities			
Proceeds from interest-bearing bank and other borrowings		**8,008,937**	5,362,290
Repayment of interest-bearing bank and other borrowings		**(7,654,769)**	(6,482,032)
Interest paid		**(294,044)**	(232,205)
Proceeds from capital injection from non-controlling shareholders of a subsidiary		**12,000**	—
Proceeds from issue of new shares		**846,936**	—
Net cash generated from/(used in) financing activities		**919,060**	(1,351,947)
Net decrease in cash and cash equivalents		**(1,036,209)**	(1,018,689)
Cash and cash equivalents at the beginning of each period		**3,721,285**	2,160,980
Effect of foreign exchange rate changes, net		**50,476**	(31,605)
Cash and cash equivalents at the end of each period		**2,735,552**	1,110,686

1. GENERAL INFORMATION

Grand Baoxin Auto Group Limited (formerly known as "Baoxin Auto Group Limited", the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on September 6, 2010. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on December 14, 2011.

During the period, the Group was principally engaged in the sale and service of motor vehicles.

In the opinion of the directors of the Company (the "Director"), the ultimate holding company of the Company is China Grand Automotive Services Co., Ltd. ("CGA"), the shares of which are listed on the Shanghai Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended June 30, 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The condensed consolidated interim financial statements were presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed consolidated interim financial statements were approved for issue on August 25, 2017. These condensed consolidated interim financial statements have not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations as of 1 January 2017, noted below.

The Group has adopted the following revised HKFRSs for the first time for the current period's financial statements

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRSs 12

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 40	*Transfers of Investment Property*[1]
HK (IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[1]
HK (IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 June 30, 2017, no major customers segment information is presented in accordance with HKFRS 8 Operating Segments.

4. REVENUE, OTHER INCOME AND GAINS, NET

		Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
(a)	**Revenue**		
	Revenue from the sales of motor vehicles	13,894,862	9,524,462
	Revenue from after-sales services	1,754,257	1,344,089
	Finance leasing services	21,876	2,850
		15,670,995	10,871,401
(b)	**Other income and gains, net**		
	Commission income	296,369	161,423
	Interest income	5,309	14,468
	Advertisement support received from motor vehicle manufacturers	1,102	698
	Rental income	1,536	1,464
	Government grants	4,346	9,222
	Net gain on disposal of items of property, plant and equipment	1,545	215
	Net loss on disposal of items of intangible assets	—	(1,325)
	Fair value (loss)/gain, net:		
	Derivative instruments	(135,830)	11,341
	Equity investments at fair value through profit or loss	(891)	(9,938)
	Net loss on disposal of subsidiaries	(15,093)	—
	Foreign exchange difference, net	136,306	—
	Others	8,091	2,551
		302,790	190,119

5. PROFIT BEFORE TAX

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

	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
(a) Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	309,063	263,740
Other welfare	99,930	81,519
	408,993	345,259
(b) Cost of sales and services		
Cost of sales of motor vehicles	13,407,112	9,188,114
Others	919,922	726,460
	14,327,034	9,914,574
(c) Other items		
Depreciation of property, plant and equipment	223,094	164,263
Amortisation of prepaid land lease payment	9,717	7,726
Amortisation of intangible assets	25,348	19,447
Advertisement and business promotion expenses	72,766	62,522
Auditors' remuneration	2,500	3,400
Bank charges	16,185	28,398
Foreign exchange difference, net	(136,306)	12,398
Lease expenses	93,513	71,256
Logistics and gasoline expenses	19,003	20,953
Office expenses	12,033	10,994
Write-down of inventories to net realisable value	4,668	46,683
Fair value loss/(gain), net:		
Derivative instruments	135,830	(11,341)
Equity investments at fair value through profit or loss	891	9,938
Net loss on disposal of subsidiaries	15,093	—
Impairment of goodwill	—	25,051

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
Interest on bank loans, overdrafts and other loans	**202,223**	246,666
Interest expense on bonds	**—**	10,781
Interest expense on the senior perpetual capital securities	**131,444**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**333,667**	257,447
Less: Interest capitalised	**—**	(15,458)
	333,667	241,989

7. INCOME TAX EXPENSE

	Unaudited For the six months ended June 30, 2017 *RMB'000*	Unaudited For the six months ended June 30, 2016 *RMB'000*
Current:		
Mainland China corporate income tax	**184,840**	79,437
Deferred tax	**(18,897)**	(27,535)
Total tax charge for the period	**165,943**	51,902

7. INCOME TAX EXPENSE (Continued)

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the British Virgin Islands ("BVI") is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to an income tax at the rate of 16.5% (six months ended June 30, 2016: 16.5%) during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

According to the Corporate Income Tax Law ("CIT Law") of the People's Republic of China, the income tax rate is 25% (six months ended June 30, 2016: 25%).

According to the CIT Law and the Taxation Policies on In-depth Implementation of Western Region Development Strategy, a subsidiary of the Company has been approved by the authority to pay income tax at the reduced tax rate of 15%.

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: 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 2,582,062,810 (2016: 2,557,311,429) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented in the six months ended June 30, 2017 and 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

	Unaudited For the six months ended June 30, 2017	Unaudited For the six months ended June 30, 2016
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**400,327**	64,436
Shares		
Weighted average number of ordinary shares in issue during the period	**2,582,062,810**	2,557,311,429
Earnings per share		
Basic and diluted (RMB)	**0.16**	0.03

10. FINANCE LEASE RECEIVABLES

Certain motor vehicles of the Group are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Analysed as:		
Current	**383,953**	18,757
Non-current	**562,505**	4,589
	946,458	23,346

At 30 June 2017, the future minimum lease receivables under finance leases were as follows:

Third parties

	Unaudited minimum lease receivables June 30, 2017 *RMB'000*	Audited minimum lease receivables December 31, 2016 *RMB'000*
Finance lease receivables:		
Within one year	**12,638**	19,829
Later than one year and not later than five years	**2,256**	4,821
	14,894	24,650
Less: Unearned finance income	**892**	1,304
Present value of minimum lease payment receivables	**14,002**	23,346

10. FINANCE LEASE RECEIVABLES (Continued)

Related party

	Unaudited minimum lease receivables June 30, 2017	Audited minimum lease receivables December 31, 2016
	RMB'000	*RMB'000*
Finance lease receivables:		
Within one year	**422,959**	—
Later than one year and not later than five years	**634,440**	—
	1,057,399	—
Less: Unearned finance income	**124,943**	—
Present value of minimum lease payment receivables	**932,456**	—

On 24 January 2017, Shanghai Dingxin Financial Leasing Co., Ltd. ("Dingxin Leasing"), a wholly-owned subsidiary of the Company, and All Trust Leasing Company Limited ("All Trust Leasing"), a wholly-owned subsidiary of CGA, entered into the Sale and Leaseback Framework Agreement. Pursuant to the Sale and Leaseback Framework Agreement, All Trust Leasing shall sell to Dingxin Leasing vehicles owned by All Trust Leasing, which shall then be leased back for use by All Trust Leasing. Upon expiry of the lease term, All Trust Leasing shall repurchase the leased assets in accordance with the agreed terms and with a consideration of a nominal amount of RMB100.

Balances of finance lease receivables from related parties are interest-bearing at annual interest rate of 9.975% with the terms of 2 - 3 years. The repayments will be made by installments on arrears on a monthly basis.

11. INVENTORIES

	Unaudited June 30, 2017	Audited December 31, 2016
	RMB'000	*RMB'000*
Motor vehicles	**3,405,388**	2,692,247
Spare parts and accessories	**243,814**	243,274
	3,649,202	2,935,521

12. TRADE RECEIVABLES

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Trade receivables	728,038	650,830

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.

An aged analysis of the trade receivables as at each statement of financial position date (based on the invoice date, net of impairment) is as follows:

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Within 3 months	672,772	611,148
More than 3 months but less than 1 year	55,266	39,682
	728,038	650,830

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2017		
	Effective interest rate (%)	Original maturity	*RMB'000*
Current			
Bank borrowings			
– guaranteed	4.7	2017-2018	116,498
– secured	4.8-7.5	2017-2018	334,562
– secured	6.6	On demand	29,000
– unsecured	3.9-7.0	2017-2018	2,232,012
			2,712,072
Other borrowings			
– guaranteed	7.8	2017-2018	7,084
– secured	4.0-9.2	2017-2018	253,113
– unsecured	4.0-8.5	2017-2018	162,006
– secured and guaranteed	4.7-8.0	2017-2018	153,208
			575,411
			3,287,483
Non-current			
Bank borrowings			
– secured	7.2	2024	31,290
– unsecured	5.0	2024	140,000
– guaranteed	Libor*+3.2	2020	4,951,020
			5,122,310
			8,409,793

13. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Audited As at 31 December 2016		
	Effective interest rate (%)	Original maturity	*RMB'000*
Current			
Bank borrowings			
– guaranteed	4.8	2017	19,997
– secured	4.8-9.0	2017	17,764
– secured	6.6	On demand	29,000
– secured	Libor*+2.25	2017	2,364,886
– unsecured	2.7-6.5	2017	1,890,812
– secured and guaranteed	5.0-7.1	2017	115,000
			4,437,459
Other borrowings			
– guaranteed	6.7	2017	7,627
– secured	5.2-8.6	2017	154,513
– unsecured	6.7	2017	60,645
– secured and guaranteed	6.7	2017	140,365
			363,150
			4,800,609
Non-current			
Bank borrowings			
– secured	Libor*+3.3	2018-2019	2,751,757
			7,552,366

* London Inter-Bank Offered Rate

14. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Trade payables	448,749	287,744
Bills payable	3,351,857	4,336,851
Trade and bill payables	3,800,606	4,624,595

An aged analysis of the trade and bills payables as at the end of reporting period, is as follows:

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Within 3 months	3,298,255	4,185,164
3 to 6 months	486,635	426,994
6 to 12 months	7,629	2,804
Over 12 months	8,087	9,633
	3,800,606	4,624,595

The trade and bills payables are non-interest-bearing.

15. SENIOR PERPETUAL CAPITAL SECURITIES

On 15 December 2016 and 23 December 2016, Baoxin Auto Finance I Limited ("the Issuer", or "Auto Fin"), a wholly-owned subsidiary of the Group, issued senior perpetual capital securities with principal amounts of US$300 million and US$100 million, respectively, at initial interest rate of 8.75% ("Senior Perpetual Capital Securities"). Distribution payments of 8.75% per annum on the Senior Perpetual Capital Securities are payable semi-annually in arrears from June 2017. The Senior Perpetual Capital Securities have no fixed maturity and can be redeemed at the Issuer's option on or after 15 December 2019 at their principal amounts redeemed together with any accrued, unpaid distribution payments. After 15 December 2019, the coupon rate will be reset to a percentage per annum equal to the sum of (a) the initial spread of 7.616%, (b) the Adjusted Treasury Rate and, (c) a margin of 5.00% per annum. The Senior Perpetual Securities were unconditionally and irrevocably guaranteed by CGA and its direct wholly-owned subsidiary, China Grand Automotive Services (Hong Kong) Limited (the "Guarantors"), who guarantee on a joint and several basis the due payment in full of all sums expressed to be payable by the Issuer.

Pursuant to the terms of the Senior Perpetual Capital Securities, the Issuer has contractual obligation to repay its principal and to pay the distribution, which meet the definition of financial liabilities according to IAS 32 Financial Instruments: Presentation, and is classified as financial liabilities recorded in non-current liabilities. The Issuer incurred issuance costs amounting to approximately RMB76,154,000, for the Senior Perpetual Capital Securities, which was net off against the balance of non-current liabilities of these senior perpetual securities.

On 30 June 2017, the Company and Shanghai Jida Investments Management Co., Ltd. ("Shanghai Jida"), an indirectly wholly-owned subsidiary of the Company, sold 100% of equity interest of Auto Fin and Dalian Baoxin Huiyu Automobile Investments Management Co., Ltd. ("Dalian Huiyu"), an indirectly wholly-owned subsidiary of the Company, to China Grand Automotive Services (Hong Kong) Limited and Shanghai Huiyong Automotive Distribution Co., Ltd. ("Shanghai Huiyong"), indirectly wholly-owned subsidiaries of CGA, at a total consideration of RMB5,250,000,000, which shall be satisfied by (i) Shanghai Huiyong paying RMB1,000,000 to Shanghai Jida in cash and (ii) Shanghai Jida transferring all of its rights and obligations in connection with the remaining consideration receivable and amount owed to Dalian Huiyu, amounting to RMB5,249,000,000 each, respectively, to Shanghai Huiyong. Further details are given in Note 19.

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Non-current	—	2,708,415

15. SENIOR PERPETUAL CAPITAL SECURITIES (Continued)

The movements in the carrying amount of the senior perpetual capital securities during the period are as follows:

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Nominal value of senior perpetual capital securities issued during 2016	**2,773,300**	2,773,300
Direct transaction costs attributable to the securities	**(76,154)**	(76,154)
At the issuance date	**2,697,146**	2,697,146
Interest expense	**141,296**	9,852
Exchange realignment	**(62,070)**	1,417
Interest paid	**(120,107)**	—
Disposal of the Issuer	**(2,656,265)**	—
At the end of the period	**—**	2,708,415

16. SHARE CAPITAL

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Authorised:		
5,000,000,000 ordinary shares of HK$0.01 each	**5,000,000**	5,000,000
Issued and fully paid:		
2,837,311,429 (2016: 2,557,311,429) ordinary shares	**28,373**	25,573
Equivalent to RMB'000	**23,275**	20,836

On 6 June 2017, the Company entered into a placing agreement with Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch (the "Placing Agents"), according to which, the Company agrees to issue 280,000,000 shares ("Placing Shares") at the placing price of HK$3.5 (the "Placing"), and the Placing Agents agrees to subscribe (or procure its nominee to subscribe) for the Placing Shares.

The completion of the Placing took place on 14 June 2017 in accordance with the terms and conditions of the placing agreement. A total of 280,000,000 Placing Shares have been placed and issued to a group of professional and institutional investors at the price of HK$3.5 per Placing Share. Upon the completion of the Placing, the total ordinary shares of the Company have been increased to 2,837,311,429 shares, with the par value of HK$0.01 each.

17. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees of the Company and its subsidiaries. The Scheme became effective on 14 December 2011, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the listing date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, an amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part of the payment of the exercise price. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one year and ends on the expiry date of the Scheme.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average of the closing prices of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the Share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at the year ended 31 December 2016, no share option was outstanding.

During the six months ended 30 June 2017 and as at 30 June 2017, no share option was granted or outstanding.

18. BUSINESS COMBINATION

As part of the Group's plan to expand its motor vehicle sales and service business in Mainland China, the Group acquired the equity interests of the following companies, which are engaged in the motor vehicles sales and service business in Mainland China, from several third parties on 27 March 2017, at a total consideration of RMB859,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB459,000,000 paid by the end of 30 June 2017.

Company Name	Acquired equity interest %
Wenzhou Jieshun Auto Technology Services Co., Ltd.	100%
Shaoxing Jieshun Auto Distribution Services Co., Ltd.	100%
Wenzhou Jiejun Auto Co., Ltd.	100%
Taizhou Jieshun Auto Co., Ltd.	100%
Wenzhou Haodebao Auto Services Co., Ltd.	100%
Wenzhou Haoda Electromechanical Co., Ltd.	100%
Wenzhou Dingshang Investment Management Co., Ltd.	100%

18. BUSINESS COMBINATION (Continued)

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Unaudited fair values recognised on acquisition
	RMB'000
Property, plant and equipment	257,134
Prepaid land lease payment	20,150
Intangible assets	200,200
Deferred tax assets	30,843
Inventories	257,752
Trade receivables	43,722
Prepayments, deposits and other receivables	322,788
Pledged bank deposits	134,182
Cash in transit	2,087
Cash and cash equivalents	168,285
Trade and bills payables	(331,990)
Other payables and accruals	(376,003)
Interest-bearing bank and other borrowings	(467,752)
Income tax payable	(12,208)
Deferred tax liabilities	(58,202)
Total identifiable net assets	190,988
Goodwill on acquisition	668,012
Total purchase consideration	859,000

18. BUSINESS COMBINATION (Continued)

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration paid	(459,000)
Cash and cash equivalents acquired	168,285
Net cash outflow	(290,715)

Since the acquisition, the acquired business contributed RMB1,237,565,000 to the Group's revenue and RMB79,005,000 to the consolidated profit for the period ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue and profit of the Group for the period would have been RMB16,223,135,000 and RMB433,450,000, respectively.

The Group engaged an independent appraiser to assist with the identification and determination of fair values to be assigned to the assets and liabilities of the acquired companies. However, the valuation was not finalized and hence the initial accounting for the business combination of acquired companies were incomplete by the date of this report. Therefore, these amounts recognized in the Group's interim financial statements for the six months ended 30 June 2017 in relation to the acquisition of acquired companies were on a provisional basis.

19. DISPOSAL OF SUBSIDIARIES

On 30 June 2017, the Company and Shanghai Jida sold 100% of equity interest of Auto Fin and Dalian Huiyu to China Grand Automotive Services (Hong Kong) Limited and Shanghai Huiyong, indirectly wholly-owned subsidiaries of CGA, at a total consideration of RMB5,250,000,000, which shall be satisfied by (i) Shanghai Huiyong paying RMB1,000,000 to Shanghai Jida in cash and (ii) Shanghai Jida transferring all of its rights and obligations in connection with the remaining consideration receivable and amount owed to Dalian Huiyu, amounting to RMB5,249,000,000 each, respectively, to Shanghai Huiyong.

Details of the net assets disposed of are as follows:

	Notes	Unaudited June 30, 2017 *RMB'000*
Net assets disposed of:		
Cash and cash equivalents		843,616
Prepayments, deposits and other receivables		7,107,456
Other payables and accruals		(29,714)
Senior perpetual capital securities	15	(2,656,265)
Net assets disposed of		5,265,093
Consideration		5,250,000
Loss on disposal of subsidiaries	4(b)	(15,093)

An analysis of the cash flows of cash and cash equivalents in respect of disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	1,000
Cash and cash equivalents disposed of	(843,616)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(842,616)

20. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	Unaudited June 30, 2017 ***RMB'000***	Audited December 31, 2016 *RMB'000*
Contracted, but not provided for land use rights and buildings	**7,530**	80,446
Authorised, but not contracted for land use rights and buildings	**49,601**	74,398
	57,131	154,844

(b) Operating lease commitments

At the end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Unaudited At June 30, 2017			Audited At December 31, 2016		
	Properties ***RMB'000***	**Land** ***RMB'000***	**Vehicles** ***RMB'000***	Properties *RMB'000*	Land *RMB'000*	Vehicles *RMB'000*
Within 1 year	**171,219**	**58,948**	**9,894**	110,028	38,066	10,731
After 1 year but within 5 years	**392,543**	**153,458**	**37,850**	339,394	126,590	37,994
After 5 years	**550,714**	**282,764**	**12,617**	511,539	233,673	18,136
	1,114,476	**495,170**	**60,361**	960,961	398,329	66,861

The Group is the lessee in respect of a number of properties, land and vehicles held under operating leases.

21. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

The following transactions were carried out with related parties during the period:

		Unaudited June 30, 2017 *RMB'000*	Unaudited June 30, 2016 *RMB'000*
Purchase of goods:	(i)		
Hebei Remit Investment Co., Ltd.		**4,922**	—
Tianjin Grand Kai Li Auto Sales & Service Co., Ltd.		**2,555**	—
Chenzhou Peng Feng Auto Co., Ltd.		**2,210**	—
Sichuan Shen Rong Hong Zheng Auto Sales & Service Co., Ltd.		**1,211**	—
Sichuan Shen Rong Xing Hong Auto Sales & Service Co., Ltd.		**457**	—
Xinjiang Military Import Auto Parts Co., Ltd.		**388**	—
Sichuan Shen Rong Jiu Xing Auto Sales & Service Co., Ltd.		**378**	—
Sichuan Shen Rong Yu Feng Auto Sales & Service Co., Ltd.		**312**	—
Yibin Shen Rong Auto Co., Ltd.		**197**	—
Xinjiang Jun Hao Auto Sales & Service Co., Ltd.		**104**	—
Yulin Ao Sen Auto Trading Co., Ltd.		**29**	—
Chengdu Shen Rong Rong Jie Auto Sales & Service Co., Ltd.		**12**	—
Chengdu Kai Di Auto Sales & Service Co., Ltd.		**9**	—
Chengdu Grand Shen Rong Hui Tong Auto Sales & Service Co., Ltd.		**8**	—
Guangxi Grand Auto Maintenance Service Co., Ltd.		**8**	—
Anhui Shi Rui Tong Auto Sales & Service Co., Ltd.		**4**	—
Sichuan Shen Rong Hong Jia Auto Sales & Service Co., Ltd.		**2**	—
Cangzhou Yi Chang Auto Sales & Service Co., Ltd.		**1**	—
Mianyang Xingchuan Xi Wu Auto Sales & Service Co., Ltd.		**1**	—
Sichuan Shen Rong Hong Han Auto Sales & Service Co., Ltd.		**1**	—
		12,809	—

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with related parties (Continued)

		Unaudited June 30, 2017 *RMB'000*	Unaudited June 30, 2016 *RMB'000*
Sales of goods:	(ii)		
Xinjiang Jun Hao Auto Sales & Service Co., Ltd.		6,564	—
Chengdu Shen Ke Rong Auto Sales & Service Co., Ltd.		5,770	—
Ziyang He Xin Auto Sales & Service Co., Ltd.		2,285	—
Yili Hua Guo Auto Sales & Service Co., Ltd.		1,495	—
Rizhao Hong Fa Auto Sales & Service Co., Ltd.		1,428	—
Linyi Yue Xiang Auto Sales & Service Co., Ltd.		1,398	—
Shandong Hong Fa Seng Quan Auto Sales & Service Co., Ltd.		1,185	—
Cangzhou De Lian Hui Yuan Auto Trading Co., Ltd.		1,017	—
Linyi Yue Xing Auto Sales & Service Co., Ltd.		952	—
Shenzhen Chen Feng Investment Co., Ltd.		886	—
Shandong Hong Fa Seng Yue Auto Sales & Service Co., Ltd.		794	—
Sichuan Shen Rong Hong Zheng Auto Sales & Service Co., Ltd.		660	—
Sichuan Shen Rong Jiu Xing Auto Sales & Service Co., Ltd.		638	—
Chenzhou Peng Feng Auto Co., Ltd.		571	—
Sichuan Shen Rong Yu Feng Auto Sales & Service Co., Ltd.		511	—
Sichuan Shen Rong Xing Hong Auto Sales & Service Co., Ltd.		485	—
Chengdu Kai Di Auto Sales & Service Co., Ltd.		307	—
Guangxi Grand Auto Maintenance Service Co., Ltd.		104	—

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with related parties (Continued)

	Unaudited June 30, 2017 *RMB'000*	Unaudited June 30, 2016 *RMB'000*
Kashi Hua Hui Auto Sales & Service Co., Ltd.	**103**	—
Qinzhou Hong Jie Auto Sales & Service Co., Ltd.	**71**	—
Hebei Sheng Wen Auto Trading Co., Ltd.	**51**	—
Shanxi Jinxiu Star Auto Sales & Service Co., Ltd.	**34**	—
Hami Hui Chi Auto Sales & Service Co., Ltd.	**26**	—
Anhui Ao Xiang Auto Sales & Service Co., Ltd.	**25**	—
Chongqing Zhongqi Southwest Meikai Auto Co. Ltd.	**23**	—
Sichuan Shen Rong Hong Jia Auto Sales & Service Co., Ltd.	**17**	—
Liuzhou Ying Tong Auto Sales & Service Co., Ltd.	**15**	—
Xinjiang Kashi Hua Chi Auto Sales & Service Co., Ltd.	**8**	—
Guizhou Qian Tong Hui Rui Auto Sales & Service Co., Ltd.	**8**	—
Beihai Hong Tong Li Da Auto Sales & Service Co., Ltd.	**2**	—
Shenzhen Peng Feng Trading Co., Ltd.	**1**	—
Cangzhou Yi Chang Auto Sales & Service Co., Ltd.	**1**	—
	27,435	—

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with related parties (Continued)

		Unaudited 30 June, 2017 *RMB'000*	Unaudited 30 June, 2016 *RMB'000*
Rental income:	(iii)		
China Grand Auto Services Co., Ltd.		**1,536**	—
Disposal of subsidiaries	(iv)		
Commission income:	(v)		
Shanghai Grand De Tai Insurance Agency Co., Ltd. Xinjiang branch		**492**	—
Ziyang He Xin Auto Sales Co., Ltd.		**141**	—
Shanghai Grand De Tai Insurance Agency Co., Ltd. Sichuan branch		**13**	—
		646	—
Revenue from financial leasing services:	(vi)		
All Trust Leasing Company Limited		**19,185**	—

(i) The purchases of goods were made according to the published prices and conditions offered by related parties to their major customers.

(ii) The sales of goods were made according to the published prices and conditions offered to the major customers of the Group.

(iii) The charge of lease fee arose from rental of Baoxin Building, RMB3,072,000 per year.

(iv) Details of the disposal of subsidiaries are given in Note 19.

(v) The commission income were made according to the published prices and conditions offered to the major customers of the Group.

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions with related parties (Continued)

(vi) Details of revenue from financial leasing services are given in Note 10.

In the opinion of the directors, the transactions listed above between the Group and the aforementioned related parties were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(b) Other transaction with related parties:

The company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB5,074,602,000 as at the end of the reporting period.

(c) Balances with related parties

The Group had the following significant balances with its related parties as at June 30, 2017:

	Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Amounts due from related parties:		
Guangxi Guanghui Investment Development Co., Ltd.	**56,115**	56,115
China Grand Auto Services Co., Ltd.	**3,072**	6,809
Dalian Baoxin Hui Yu auto Investment Management Co., Ltd.	**2,500**	—
Shenzhen Chen Feng Investment Co., Ltd.	**120**	—
All Trust Leasing Company Limited	**58**	—
Guangxi Grand Auto Maintenance Service Co., Ltd.	**2**	—
Shenyang Xinbaohang Automobile Sales & Services Co., Ltd.	**—**	40,836
Shenzhen Xinao Auto Trading Co., Ltd.	**—**	34
Shaanxi Tang Xing Auto Sales & Service Co., Ltd.	**—**	3
	61,867	103,797

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Balances with related parties (Continued)

		Unaudited June 30, 2017 *RMB'000*	Audited December 31, 2016 *RMB'000*
Amounts due to related parties:			
Dalian Baoxin Huiyu Automobile Investments Management Co., Ltd.		1,844,178	—
Baoxin Auto Finance I Limited		3,323	—
Tianjin Grand Kaili Auto Sales & Service Co., Ltd.		2,990	—
Xinjiang Military Import Auto Parts Co., Ltd.		74	—
China Grand Auto Services Co., Ltd. Duilong branch		49	—
Shanghai West Shanghai Xinjie Auto Sales & Service Co., Ltd.		32	—
All Trust Leasing Company Limited		24	—
Guangxi Zhuang Autonomous Region Electrical Equipment Co., Ltd.		8	—
Chengdu Kai Di Auto Sales & Service Co., Ltd.		6	—
		1,850,684	—
Finance lease receivables:			
All Trust Leasing Company Limited	(i)	932,456	—

(i) Details of finance lease receivables are given in Note 10.

As at 30 June 2017, except for (i), balances with related parties were unsecured and non-interest-bearing, and had fixed repayment terms.

21. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Compensation of key management personnel of the Group:

	Unaudited June 30, 2017 *RMB'000*	Unaudited June 30, 2016 *RMB'000*
Short term employee benefits	**2,395**	6,595
Post-employee benefits	**126**	344
Total compensation paid to key management personnel	**2,521**	6,939

22. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets were categorized into three groups: 1) financial assets at fair value through profit or loss — held for trading, including equity investments at fair value through profit or loss and derivative financial instruments; 2) loans and receivables, including trade receivables, finance lease receivables, financial assets included in prepayments, deposits and other receivables, amounts due from related parties, pledged bank deposits, cash in transit and cash and cash equivalents; 3) available-for-sale financial assets, including available-for-sale investment.

The carrying amount of financial assets at fair value through profit or loss — held for trading, loans and receivables and available-for-sale financial assets as at 30 June 2017 were approximately Nil, RMB10,276.8 million and RMB17.2 million, respectively (2016: RMB37.9 million, RMB10,960.6 million and RMB17.7 million, respectively).

The Group's financial liabilities were categorized as financial liabilities at amortised cost, including trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank loans and other borrowings, senior perpetual capital securities and bonds. The carrying amount of financial liabilities at amortised cost and held for trading as at 30 June 2017 was amounted to RMB15,849.4 million (2016: RMB15,921.6 million).

23. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after June 30, 2017.

GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司