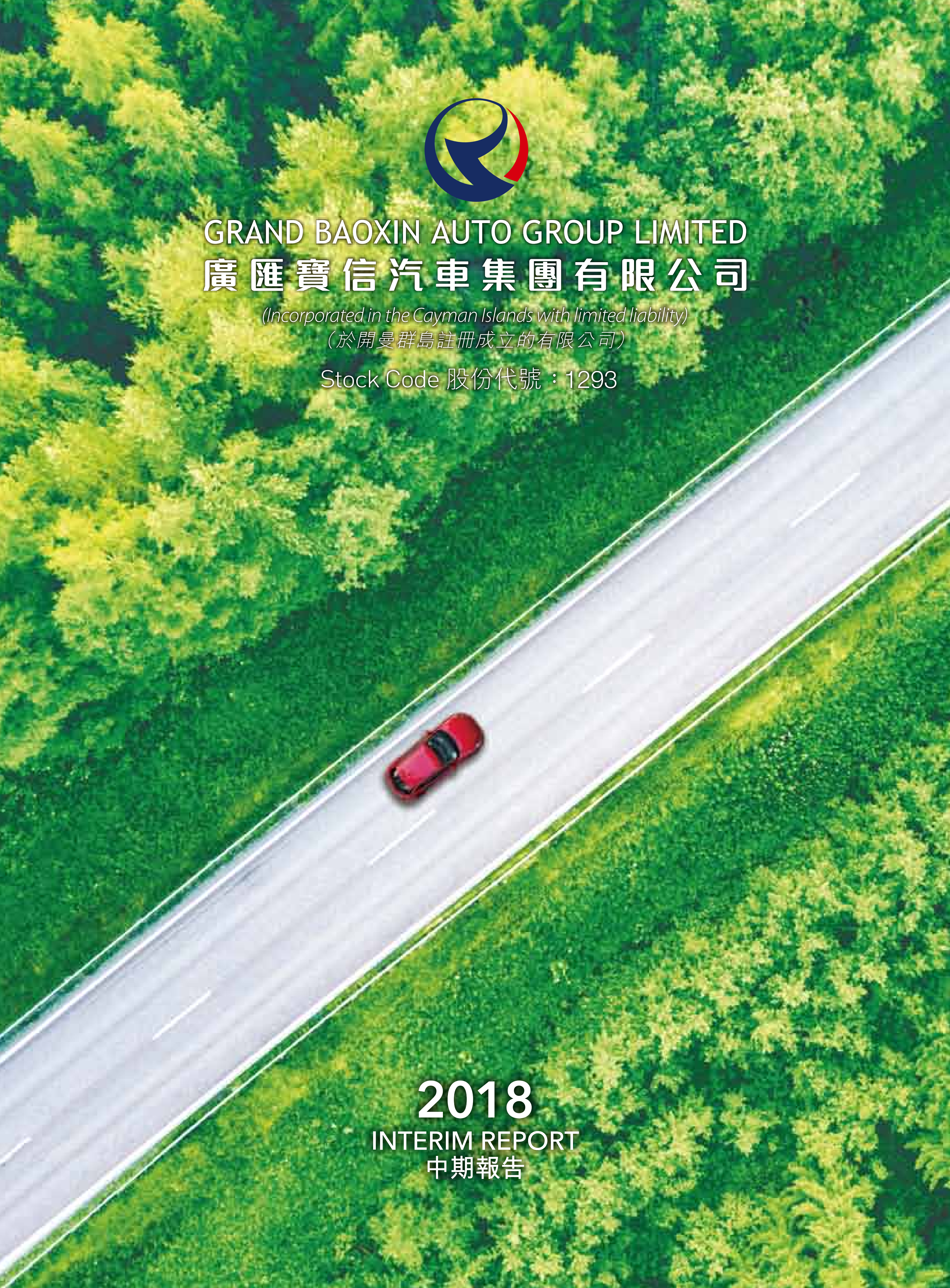

GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

(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

2018
INTERIM REPORT
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
Mr. ZHOU Yu (resigned on 10 May 2018)
Ms. XU Xing (re-designated on 8 June 2018)

Independent Non-executive Directors

Mr. DIAO Jianshen
Mr. WANG Keyi (resigned on 8 June 2018)
Ms. LIU Yangfang (appointed on 8 June 2018)
Mr. CHAN Wan Tsun Adrian Alan

AUDIT COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. WANG Keyi (resigned on 8 June 2018)
Ms. LIU Yangfang (appointed on 8 June 2018)
Mr. CHAN Wan Tsun Adrian Alan

REMUNERATION COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. LI Jianping
Mr. WANG Keyi (resigned on 8 June 2018)
Ms. LIU Yangfang (appointed on 8 June 2018)

NOMINATION COMMITTEE

Ms. LIU Yangfang *(Chairman)* (appointed on 8 June 2018)
Mr. WANG Keyi (resigned on 8 June 2018)
Mr. LI Jianping
Mr. DIAO Jianshen

COMPANY SECRETARY

Ms. CHENG Mei Chun

AUTHORISED REPRESENTATIVES

Mr. LI Jianping
Ms. XU Xing

STOCK CODE

1293

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Cayman Islands

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square,
Grand Cayman, KY1-1102,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

LEGAL ADVISER TO HONG KONG LAW

Kirkland & Ellis
26th Floor, Gloucester Tower, The Landmark,
15 Queen's Road Central, Hong Kong

AUDITORS

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

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") 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 2018 (the "**Reporting Period**").

On 22 May 2018, the PRC authorities announced that auto import tariff would be adjusted downward from 25% to 15% with effect from 1 July 2018. However, as trade disputes between the US and China escalated, tariff of imported vehicles from the US has increased to 40% since 8 July 2018. Under the impact of factors such as tariff adjustment, China-US trade dispute, fluctuation of selling price and the general wait-and-see consumer attitude, inventory pressure on automobile dealers increased. According to the China Automobile Dealers' Vehicle Inventory Alert Index released by the China Automobile Dealers Association, the inventory alert index remained above the warning line for the first half of 2018.

According to statistics from the China Association of Automobile Manufacturers, the sales volume of passenger vehicles in the PRC amounted to 11,780,000 units in first half of 2018, representing an increase of 4.6% as compared with the same period in 2017. In particular, the sales volume of luxury passenger vehicles maintained steady growth despite the adverse impact of increased tariff on imported vehicles and the China-US trade dispute, and achieved a year-on-year growth of 12.4% to 1,330,000 units, accounting for 11.3% of the overall market shares of passenger vehicles. In the long term, we believe that sales volumes of luxury and ultra-luxury brands passenger vehicles will maintain its high momentum in the foreseeable future as the current sales volume of luxury passenger vehicles accounts for a small portion of the overall sales of passenger vehicles, and strong upgrading demand for luxury brands and increasing acceptance for automobile consumption finance products would also drive sales growth.

In addition, with the increasing ownership and aging of passenger vehicles in China, in the first half of 2018, the after-sales service market of passenger vehicles in China has continued achieving rapid growth. As a result, the source of revenue and gross profit of Chinese car dealers has completed the parcenary structural transformation from sales of new vehicles to after-sales services, which will facilitate the improvement of car dealers' profitability.

We will continue to adhere to our corporate philosophy of "Service as Top Priority", actively adjust our development strategy in accordance with market trends in a timely manner and improve our corporate performance and enhance our core competitiveness through continuously optimizing the combination of key brands and key areas and business structure. As of 30 June 2018, the Group had a total of 113 automobile dealing stores, comprising 91 luxury brand dealing stores, 17 mid-to-high brand dealing stores and 5 independent after-sales service (maintenance and decoration and loss assessment center) stores.

Finally, I would like to thank all our business partners, customers and shareholders for their trust and support, and, on behalf of all shareholders and Directors, to express sincere gratitude to the management team and all staff for their continuous efforts and proactive contributions.

Yours sincerely,
LI Jianping
Chairman

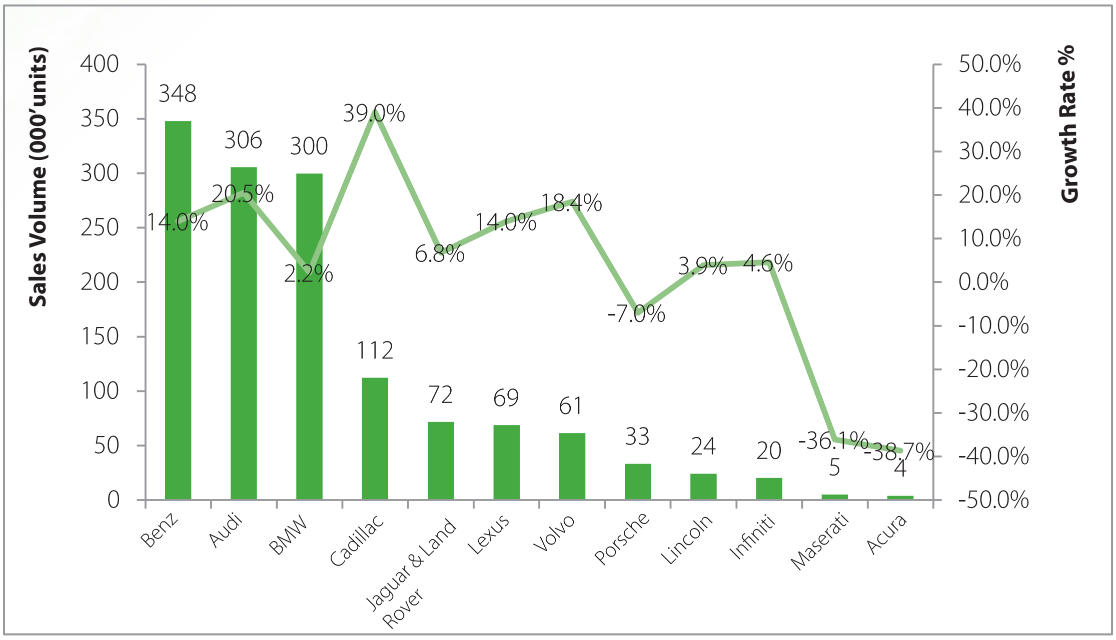
Hong Kong, 28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back at the automobile market in China in the first half of 2018, there is no doubt that this half year was full of uncertainty. As the consumption habit of consumers increasingly mature, the consumption upgrading of customers becomes more obvious, and the automobile market has entered into a mature stage. Various factors including tariff reduction, reduction on terminal price of products and Sino-US trade disputes are stimulating the nerves of every player in the automobile industry. According to statistics from the China Association of Automobile Manufacturers, the production and sales volume of automobiles in China recorded 11.8537 million units and 11.7753 million units in the first half year of 2018, representing a growth of 3.23% and 4.64%, respectively, compared to the corresponding period. The increase on sales volume was increased by 1.8% as compared with the corresponding period last year. The overall performance of automobile industry was better than the prediction made at the beginning of the year.

Under the influence of the multiple external factors mentioned above, luxury automobile market continued to maintain stable growth in the first half of 2018. As indicated by the statistics published by the State Information Center, in the first half of 2018, the top 12 luxury automobile brands (note) (headed by the three leading German brands (i.e. Benz, BMW and Audi)) accounted for approximately 70.4% of the total market sales volume, representing an increase of 12.1%. In terms of the cumulative sales of the three leading German brands from January to June, Benz took the lead with 348,000 units, Audi ranked second with 306,000 units and BMW was in the third place with 299,800 units.



Note: The top 12 luxury automobile brands are Mercedes-Benz, Audi, BMW (including MINI), Cadillac, Jaguar & Land Rover, Lexus, Volvo, Porsche, Lincoln, Infiniti, Maserati and Acura.

According to the data published by the Traffic Management Bureau of the Public Security Ministry, as of 30 June 2018, the automobile ownership volume in China was 229 million units, representing an increase of 5.5% as compared to the end of 2017. The automobile ownership volume and the sales volume of new cars determine the value chain of automobile production. Simply put, these two variables will play a vital role in the future business model of the automobile manufacturers and distributors. With growing automobile ownership volume, the demand of automobile post-sales market derivatives such as maintenance and automobile insurance will maintain a rapid development trend.

MANAGEMENT DISCUSSION AND ANALYSIS

In March 2018, the National People's Congress and the Chinese Political Consultative Conference have put forward a proposal on comprehensive removal of relocation restriction policy of second-hand automobiles, which would vigorously improve the development and utilization of the remaining value of second-hand automobiles and revitalize the existing stock. The circulation of second-hand automobiles among cities will no longer be an impediment for the development of the industry. According to the release of the China Automobile Dealers Association, the number of second-hand automobiles traded in China's market for the first half of 2018 accumulated to 6,602,400 units, representing an increase of 13.11% compared with the corresponding period. By the end of June 2018, the growth of second-hand automobiles remained stable and was higher than that of production and sales volume of new automobiles.

With the progress of technology and the society, the automobile industry and consumer market are undergoing profound changes, consumers' demands for automobiles are more than just meeting their travelling needs. As far as cars are concerned, they tend to be powered more by electricity and become more intelligent and increasingly shared by people. In terms of service experience, the innovation brought by the Internet, the Internet of Vehicles and the Internet of Things have turned car chargers into drivers' assistants and partners. In terms of car sales, the traditional purchasing relationship is gradually turning into immersive and experiential marketing services. This requires the automobile manufacturers and distributors to keep pace with the times and improve their overall strength and service quality. Although the automobile market is constantly changing, it is certain that the mature car sales model must come from the recognition of the car owners and consumers.

BUSINESS OVERVIEW

During the reporting period, the Company followed the development trend of the automobile market. At the same time of maintaining the stable overall sales of new cars as always, the Company also focused on business transformation and upgrading to gradually shift from "sales-based" business to "service-based" business, which on one hand reduced the impact of industry fluctuations on the Company and on the other hand optimized the Company's profit structure to ensure a stable, sustainable and healthy long term development of the Company.

As at 30 June 2018, the Group recorded revenue of approximately RMB16,981.8 million, representing a growth of 7.0% compared to the corresponding period, and achieved a gross profit of RMB1,315.1 million , representing a decrease of 3.0% compared to the corresponding period. The profit attributable to owners of the parent was RMB362.6 million, representing a decrease of 10.1% compared to the corresponding period, and the earnings per share was RMB0.13.

Steadfast growth on new automobile sales

During the period, mainly through further enhancing internal management system and tightening control of costs of sales, the Group achieved a steady growth on new automobile sales in the first half year. After gathering and analyzing data using the ERP integrated management system and taking into consideration the product cycle of each brand and market situation, we have established pricing policies and refined assessment objectives for 4S stores in different regions according to market condition to ensure steady growth of new automobile sales. At the same time, the Group has actively seized every opportunity of automobile derivative business and continued to enhance our penetration rate in other derivative businesses such as automobile finance business and automobile insurance business to avoid the risks brought by market fluctuations. Influenced by the product cycle and sales strategy adjustment, as at 30 June 2018, the Group's total sales volume of new automobiles was 50,707 units, representing an increase of 10.3% compared to the corresponding period, of which the sales volume of luxury and ultra-luxury automobiles was 36,988 units, representing an increase of 10.6% compared to the corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS

During this reporting period, as a result of the timely understanding of the changes in the automobile market as well as relying on the synergistic advantages of CGA Group, the new automobile sales business of the Group achieved steadfast growth. As at 30 June 2018, the Group achieved a new automobile sales revenue of RMB14,844.5 million , representing a growth of 5.5% compared to the corresponding period, in which the sales revenue of luxury and ultra-luxury cars reached RMB13,037.0 million, representing a growth of 4.2% compared to the corresponding period, which accounted for 87.8% of new automobile sales revenue. The overall gross profit margin of new automobiles sales was 2.0%.

Providing the best services while keeping the original aspiration

During this reporting period, the Group's after-sales service business has achieved healthy and steady development as the Group insisted on disseminating its aspiration of services and brand without perfunctoriness. On one hand, the Group's main operating brands focus on luxury and ultra-luxury cars, whose owners are less sensitive on price fluctuation of components and pay more attention to the good after-sales services experience and satisfaction level in terms of individualized requirement. On the other hand, leveraging the e-commerce platform "Hui Yang Che" (匯養車) APP jointly launched by the Group and the CGA, the Group has gained a deeper understanding of maintenance requirements of different car models and feelings of customers in different age groups, improved the Group's online and offline after-sales services capacities, thus increased the loyalty of customers and ensured customer base and steady growth of numbers of cars sending to factories. Meanwhile, the Group enhanced the effect of ERP management platform, improved basic analysis on after-sales services business, identified competitive products and centralized the purchase of certain brands and main components to reduce costs while increase efficiency so as to maintain steady gross profit margin.

In the first half of 2018, the after-sales service revenue was RMB2,116.4 million, representing an increase of 19.4% compared to the corresponding period, which accounted for 12.5% of the total revenue of the Group; the gross profit of after-sales service was RMB995.8 million, representing a slight growth compared to the corresponding period, and the gross margin of after-sales service was 47.1%.

Steady progress of derivative businesses

Due to the high added value and great brand premium of luxury cars as well as the high demand for the quality of products and services of luxury cars owners, luxury cars can bring higher profits and customer loyalty. This caused the Group to pay more attention to the sales and distribution of premium brands such as BMW and Jaguar & Land Rover in order to create a complete industrial chain integrating new car – finance – insurance – after–sales – secondhand automobile.

During the reporting period, the Group proactively expanded its automobile derivative businesses by continuously improving the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative businesses. As at 30 June 2018, the revenue from the Group's automobile derivative businesses was RMB358.8 million, representing an increase of 20.4% compared to the corresponding period.

- ## Automobile finance business

With the gradual change of consumers' consumption concept, the rise of Internet channels, the diversification of automobile finance products and the improvement of personal credit information systems and also driven by credit consumption, automobile finance has become the limelight in the new financial field as well as an important profit point for automobile manufacturers, dealers, and even the entire automobile retail industry. According to the forecast of the China Automobile Dealers Association, the scale of China's automobile finance market could reach RMB2 trillion by 2020, and the financial penetration rate will increase to 50%. The win-win cooperation between traditional finance and new finance is bound to become the new norm.

The core competitiveness of automobile finance industry is risk control capability. During the reporting period, the Group coordinated its financial cooperation channels through its subsidiary, Shanghai Dingxin Financial Leasing Co., Ltd. (Dingxin Leasing), and vigorously developed the financial leasing business and other innovative rental products with differentiation, such as residual value leasing, OEM cooperation projects, retaining customer remarketing and other high-quality automobile finance business.

Meanwhile, with the financial risk control platform developed by China Grand Auto Group, the Company continued to upgrade and optimize the risk control system before, during and after the loan, and implemented the pre-lending risk review, risk warning during the loan, and risk control after the loan more effectively to improve the quality of automobile loan assets. The Company has always adhered to the principle of putting risk control as the first priority.

During the reporting period, the Group recorded a revenue of financial services business of RMB110.5 million, representing an increase of 3.1% compared to RMB107.2 million (restated) in the first half of 2017.

- ## Secondhand automobile business

With the complete removal of the relocation restriction policy of secondhand automobiles in China, the cross-regional circulation of secondhand automobiles has gradually increased, and the "post-80s" and "post-90s" have became the new driving force for consumption of secondhand automobiles. These factors have added new vitality to the secondhand automobile market. Further, the integration of new cars and secondhand cars and the integration of traditional dealers and network e-commerce have caused consumer demand for pre-owned automobiles to gradually increase. Currently, dealers with stable sources of automobiles, good after-sales protection and strong evaluation capability have become the direct beneficiaries in the secondhand automobile market.

During the reporting period, the Group continued to use the internal car sources of 4S stores as the basis of its secondhand automobile business. Meanwhile, the Group cooperated with the CGA Group to further consolidate its collaboration with Alibaba's secondhand automobile e-commerce platform and built a cross-regional secondhand automobile trading service platform for CGA covering the nation. At the same time, during the reporting period, the Group endeavored to improve the practical skills of the front-line operators in secondhand automobile team and the management of division leader team through secondhand car appraisers skill contests and trainings.

During the reporting period, with a good growth trend as before, the Group's trade in ratio of secondhand automobiles was 22.94%, representing a growth of 7.34 percentage points compared to the corresponding period.

- **Insurance business**

During the reporting period, the Group further enhanced the monitoring and control over its insurance resources and maintained good collaborative relationships with the three existing major insurance company partners. Based on the existing cooperation and in accordance with the united business strategy of CGA Group, the Group adopted a cooperative model of "headquarter to headquarter among groups; branch to branch for regions", opened up the insurance front-end and back-end value chain, and introduced various insurance products and service models from which customers may choose. In addition to enhanced differentiation to increase competitiveness, the Group also provided a good platform to support after-sales service businesses such as maintenance and repairing.

In the meantime, through adopting a portfolio marketing approach combined with a full reform on insurance rate and continuously increasing the warranty penetration rate in scratch insurance, lacquer insurance and key insurance, the Group has not only earned profits but also raised its insurance penetration rate, further retained its customers and thus ensured the sustainable growth of revenue in insurance agency. During the reporting period, the commission income of the Group's insurance business was RMB152.5 million, representing an increase of 90.6% as compared to that of RMB80.0 million (restated) in the first half of 2017.

Optimize the structure and develop steadily

As a leading domestic dealer of luxury automobiles, the Group actively seizes the opportunity of industry integration and takes merger and acquisition as an important strategy for the Group to become bigger and stronger. During the reporting period, we constantly supplemented and optimized our dealing network and brand portfolio which focused on luxury and ultra-luxury brands, increased operating efficiency and service capabilities by setting up high-density dealing network in key areas, and consolidated and increased the coverage and share of major cities.

During the reporting period, the Group acquired one Jaguar & Land Rover 4S shop, three BMW 4S shops and one BMW secondhand automobile shop in East China. After the acquisition, the Group further consolidated its strategic advantages and brand distribution in East China, and made use of the existing network of the Group in these regions to enhance brand awareness and customer loyalty while expanding the after-sales service business.

As of 30 June 2018, the Group owned a total of 113 automobile dealing stores, including 91 luxury and ultraluxury brand dealing stores, 17 mid-to-high-end brand dealing stores and 5 independent after-sales service (maintenance and decoration and loss assessment center) stores.

During the reporting period, the Group's portfolio of automobile brands included 10 luxury and ultra-luxury brands, namely, BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Infiniti, Alfa Romeo, Porsche, Rolls Royce and Maserati.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2018, our revenue was RMB16,981.8 million, representing a growth of approximately 7.0% as compared to the same period in 2017. The increase was primarily due to an increase of RMB769.7 million, or 5.5%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2017.

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

	Unaudited For the six months ended 30 June 2018		Unaudited For the six months ended 30 June 2017 (Restated)	
Revenue Source	**Revenue (RMB'000)**	**Contribution (%)**	Revenue (RMB'000)	Contribution (%)
Automobile sales	**14,844,457**	**87.4**	14,074,767	88.7
After-sales business	**2,116,418**	**12.5**	1,773,090	11.2
Finance lease income	**20,923**	**0.1**	21,876	0.1
Total	**16,981,798**	**100.0**	15,869,733	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 87.4% of our total revenue for the six months ended 30 June 2018. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 87.8% (six months ended 30 June 2017 (restated): 88.9%) and 12.2% (six months ended 30 June 2017 (restated): 11.1%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB769.7 million was mainly attributable to the increase in revenue generated from the sales of luxury and ultra-luxury automobiles.

Revenue from our after-sales business increased by 19.4% from RMB1,773.1 million (restated) for the six months ended 30 June 2017 to RMB2,116.4 million for the same period in 2018. 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 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 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. These have contributed to the significant revenue growth from after-sales business. The relevant contribution of our after-sales business to our revenue increased from 11.2% (restated) for the six months ended 30 June 2017 to 12.5% for the same period in 2018.

Cost of sales and services

For the six months ended 30 June 2018, our cost of sales and services increased by 7.9%, from RMB14,513.7 million (restated) for the same period in 2017 to RMB15,666.7 million. This increase was basically consistent with the growth in our sales throughout the six months ended 30 June 2018.

The cost of sales and services attributable to our automobile sales business amounted to RMB14,546.1 million for the six months ended 30 June 2018, representing an increase of RMB965.0 million, or 7.1%, from the same period in 2017. The cost of sales attributable to our after-sales business amounted to RMB1,120.6 million for the six months ended 30 June 2018, representing an increase of RMB188.2 million, or 20.2%, from the same period in 2017.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2018 was RMB1,315.1 million, representing a decrease of RMB40.9 million, or 3.0%, from the same period in 2017. Gross profit from automobile sales decreased by 39.6% from RMB493.6 million (restated) for the six months ended 30 June 2017 to RMB298.3 million for the same period in 2018, of which RMB284.4 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 18.4% from RMB840.7 million (restated) for the six months ended 30 June 2017 to RMB995.8 million for the same period in 2018. Automobile sales and after-sales business contributed 22.7% and 75.7%, respectively, to the total gross profit for the six months ended 30 June 2018.

Gross profit margin for the six months ended 30 June 2018 was 7.7% as compared to 8.5% (restated) of the same period last year, of which the gross profit margin of automobile sales was 2.0% as compared to 3.5% (restated) of the same period last year, which is attributable to the impact of tariff adjustment on the luxury car brands in the second quarter leading to a dispirited market sentiment, and the car brands agented by the Group. The gross profit margin of after-sales business recorded a slight decrease to 47.1% as compared to 47.4% (restated) of the same period last year, which is due to the after-sales business of newly-opened stores needing more time to get optimized.

Other income and net gains

Other income and net gains increased by 35.2% from RMB304.4 million (restated) for the six months ended 30 June 2017 to RMB411.5 million for the same period in 2018, mainly due to an increase in the commission income from RMB298.0 million (restated) for the six months ended 30 June 2017 to RMB358.8 million for the same period of 2018. During the reporting period, the Group recorded other gains amounting to RMB28.19 million from the changes of fair value of investment properties.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2018 decreased by 8.9% from RMB902.5 million (restated) in the same period last year to RMB822.4 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended 30 June 2018 decreased by 10.2% from RMB403.3 million (restated) in the same period last year to RMB362.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

As at 30 June 2018, our cash and cash equivalents amounted to RMB2,022.5 million, representing a decrease of 36.4% from RMB3,179.4 million (restated) as at 31 December 2017.

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 2018, our net cash used in operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB605.9 million (six months ended 30 June 2017 (restated): RMB592.9 million), RMB839.0 million (six months ended 30 June 2017 (restated): RMB1,402.9 million), and RMB294.7 million (six months ended 30 June 2017 (restated): RMB932.2 million), respectively.

Net Current Assets

As at 30 June 2018, we had net current assets of RMB6,309.6 million, representing a decrease of RMB781.2 million from RMB7,090.8 million (restated) as at 31 December 2017.

Capital Expenditures

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 2018, our total capital expenditure was RMB390.5 million (six months ended 30 June 2017 (restated): RMB421.5 million).

Inventory

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

Our inventories were RMB4,292.2 million as of June 30, 2018, a 4.4% increase from RMB4,109.9 million (restated) as of December 31, 2017, and our average inventory turnover days in the six months ended 30 June 2018 increased to 48.3 days from 41.6 days (restated) as compared to the corresponding period in 2017.

Interest-bearing bank and other borrowings

As at 30 June 2018, the Group's available and unutilised banking facilities amounted to approximately RMB4,938.2 million (31 December 2017 (restated): RMB8,330.5 million).

Our interest-bearing bank and other borrowings as at 30 June 2018 were RMB10,415.0 million, representing an increase of RMB1,443.8 million from RMB8,971.2 million (restated) as at 31 December 2017. The increase was mainly due to i) the improvement of bank facility structure, the decrease of bill financing, and using more bank lending products with lower interest rates; ii) meet the operational capital needs of new stores during the reporting period.

Interest rate risk and foreign exchange rate risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our debts. The interest rate of part of our borrowings are linked to the benchmark rates of the People's Bank of China. Increase in interest rate could result in an increase in our cost of borrowing. In such case, not only our finance costs, but also our profit and financial position would be adversely affected. And the interest rate swap instruments are used to manage interest rate risks.

The Group's businesses are principally operated in Mainland China and most of its transactions are conducted in RMB. And the foreign exchange forward transactions are used to manage foreign exchange risks.

Gearing ratio

Our gearing ratio (defined as net debt divided by equity attributable to owners of the Company plus net debt) for the six months ended 30 June 2018 was 66.6% (31 December 2017 (restated): 66.1%).

Human resources

As at 30 June 2018, the Group has approximately 7,999 employees (30 June 2017 (restated): 7,443). Total staff costs for the six months ended 30 June 2018, excluding directors' remuneration, were approximately RMB532.8 million (six months ended 30 June 2017 (restated): RMB409.9 million).

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

Contingent liabilities

As at 30 June 2018 and 31 December 2017, the Group had no significant contingent liabilities.

Pledge of the Group's assets

The Group pledged its group assets to secure for bank and other loans and banking facilities which were used to finance daily business operation. As at 30 June 2018, the pledged group assets amounted to approximately RMB4,311.8 million (31 December 2017 (restated): RMB5,794.7 million).

Changes since 31 December 2017

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 2017.

FUTURE OUTLOOK AND STRATEGIES

Looking forward, the Group believes that in the automobile industry, both consumption upgrades and increased market competition will co-exist. Consumption upgrades and localized production will be the two key factors driving the growth of China's luxury automobile market. With the increase of the domestic middle-class population and the accumulation of wealth among Chinese people, the demand for luxury cars has increased. In the next few years, mainstream luxury brands such as BMW, Jaguar & Land Rover, Audi and Porsche will gradually launch new or updated products to the market. As the leading luxury automobile dealer in China, the Group is bound to continue to gain revenue in the market share growth of these luxury brands' new products.

At the same time, the Group will also actively respond to the challenges brought by the development of the automobile market, make full use of its well-established network layout and the advantages of diversified luxury automobile brands, as well as combine the synergies of CGA Group to exert the characteristics of the Group's integrated service platform and independent business segments. With the goal of continuously promoting business transformation and upgrading, the Group will actively enrich service products and expand its service channels, and vigorously develop automobile derivative businesses with development potential such as automobile insurance and automobile finance to accelerate the transformation of the aftermarket business and realize further optimization of the business and profit structure.

The Group considers that it is essential to serve customers well since the industry is always moving forward and customers are always the future. Currently, the automobile industry is in the progress of an all-round transformation and upgrades which is accompanied with certain challenges. However, where there is challenge, there is opportunity. We shall stand with the shock waves from the changing market by expanding our business and innovation development, getting out of the traditional distribution model, enabling customers to enjoy high-quality and convenient one-stop comprehensive services, truly bringing out the user experience integrating dealers' sales and service so as to get the recognition of car owners and consumers and win the future.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

During the six months ended 30 June 2018, 75,000,000 share options were granted by the Company pursuant to the share option scheme adopted by the Company on 14 December 2011 (the "**Share Option Scheme**") which were valid and outstanding. 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.

Movements of option shares under the Share Option Scheme during the six months ended 30 June 2018 were as follows:

						Number of shares options					
	Date of grant	Exercise price per share	Exercise period from	until	Vesting period (Notes)	Outstanding as at 01/01/2018	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30/06/2018
(i) Directors											
LI Jianping	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	–	4,000,000	–	–	–	4,000,000
WANG Xingming	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	–	4,000,000	–	–	–	4,000,000
LU Ao	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	–	2,000,000	–	–	–	2,000,000
QI Junjie	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	–	2,000,000	–	–	–	2,000,000
XU Xing	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	–	2,000,000	–	–	–	2,000,000
(ii) Eligible employees	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	–	61,000,000	–	–	–	61,000,000
				Total:		–	75,000,000	–	–	–	75,000,000

Notes:

(i) 30% of the share options will be vested on, and exercisable from, the first anniversary of the date of grant;

(ii) a further 30% of the share options will be vested on, and exercisable from, the second anniversary of the date of grant;

(iii) a further 40% of the share options will be vested on, and exercisable from, the third anniversary of the date of grant;

(iv) The closing price of the shares of the Company immediately before the date of grant (i.e. as at 27 March 2018) was HK$3.27.

Details of Share Option Scheme and the share options issued under the Share Option Scheme are included in note 17 to the financial statements.

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

As at 30 June 2018, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

Name of Director/ chief executive	Capacity/ nature of interest	Number of ordinary shares	Number of underlying shares pursuant to share options [1, 2]	Approximate percentage in the Company's issued voting shares
LI Jianping	Beneficial owner	–	4,000,000(L)	0.14%
WANG Xingming	Beneficial owner	–	4,000,000(L)	0.14%
LU Ao	Beneficial owner	–	2,000,000(L)	0.07%
QI Junjie	Beneficial owner	–	2,000,000(L)	0.07%
XU Xing	Beneficial owner	–	2,000,000(L)	0.07%

Notes:

(1) These underlying shares were unlisted option shares granted pursuant to the Share Option Scheme, particulars of which are set out in the section headed "Share Option Scheme" in this interim report.

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

Save as disclosed above, as at 30 June 2018, 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, during the six months ended 30 June 2018, 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 2018, none of the Directors (including their respective spouses and children under the age of 18) had 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, 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 ordinary shares(4)	Approximate percentage in the Company's issued voting shares
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%
*Guanghui 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%

* For identification purpose only

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 2018.

CONTINUING OBLIGATIONS UNDER CHAPTER 13 OF 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) China Grand Automotive Services Co. Ltd. (廣匯汽車服務股份公司) ("**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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2018, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

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.

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 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 2018.

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), Ms. Liu Yangfang and Mr. Chan Wan Tsun Adrian Alan, all of whom are the Company's independent non-executive Directors.

The Audit Committee has considered and reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 and are of the view that the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018 and at or before the date of this interim report.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

Acquisition

On 5 January 2018, Shanghai Tianhua Automobile Sales Services Limited* (上海天華汽車銷售服務有限公司) ("**Shanghai Tianhua**"), an indirect wholly-owned subsidiary of the Company, as the Purchaser entered into the Sale and Purchase Agreement with Xinjiang Longze Automobile Services Management Co., Ltd.* (新疆龍澤汽車服務管理有限責任公司) ("**Xinjiang Longze**") as the Vendor, an indirect wholly-owned subsidiary of CGA Group, pursuant to which Xinjiang Longze agreed to sell to Shanghai Tianhua, and Shanghai Tianhua agreed to acquire from Xiujuang Longze, 100% equity interest in a company engaged in the management and operation of 4S dealership stores of auto brand of Jaguar Land Rover, for a consideration of RMB85 million. For further details, please refer to the announcement of the Company dated 5 January 2018.

On 25 March 2018, 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 the Acquisition Agreement with Shanghai Zhongguo Automotive Group Co., Ltd.* (上海眾國汽車集團有限公司) and Hefei Gangrong Hotel Management Co., Ltd.* (合肥港榮酒店管理有限公司) (the "**Vendors**"), pursuant to which the Vendors agreed to sell and the Purchaser agreed to acquire the entire equity interests of the Vendors' four subsidiaries engaged in the distribution of BMW vehicles and maintenance services in PRC, for a consideration of not more than RMB619 million. Please refer to the announcement of the Company dated 25 March 2018 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 placees 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 (the "**Announcements**").

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 2018.

The net proceeds raised from the Placing was approximately HK$972,160,000. As at 31 December 2017, (i) approximately HK$302,500,000 has been allocated to expansion and development of the Group's business, including but not limited to acquiring 4S stores, upgrading some Audi and BMW Stores and building a second hand automobile showroom and (ii) approximately HK$669,660,000 has been allocated to general working capital of the Group, including but not limited to the repayment of bank borrowings and daily operation expenses. As at 31 December 2017, the aforementioned net proceeds has been fully utilised in accordance with the intended use as disclosed in the Announcements.

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51(B)(1) OF THE LISTING RULES

With effect from 10 May 2018, Mr. ZHOU Yu has resigned as a non-executive Director of the Company.

With effect from 8 June 2018, Ms. XU Xing has been re-designated from a non-executive Director to an executive Director of the Company.

With effect from 8 June 2018, Mr. WANG Keyi has resigned as an independent non-executive Director, the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee of the Company.

With effect from 8 June 2018, Ms. LIU Yangfang has been appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee of the Company.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2018

	Notes	**Unaudited For the six months ended June 30, 2018 RMB'000**	Unaudited For the six months ended June 30, 2017 RMB'000 (Restated)
REVENUE	4(a)	**16,981,798**	15,869,733
Cost of sales and services provided	5(b)	**(15,666,719)**	(14,513,708)
Gross profit		**1,315,079**	1,356,025
Other income and gains, net	4(b)	**411,450**	304,440
Selling and distribution expenses		**(552,670)**	(418,876)
Administrative expenses		**(351,476)**	(339,106)
Profit from operations		**822,383**	902,483
Finance costs	6	**(323,631)**	(336,250)
Share of profits/(losses) of:			
A joint venture		**750**	1,496
Associates		**(2,574)**	929
Profit before tax	5	**496,928**	568,658
Income tax expense	7	**(134,764)**	(165,364)
Profit for the period		**362,164**	403,294
Incl: Net profit of the party being absorbed before business combinations involving an entity under common control		**–**	2,852
Attributable to:			
Owners of the parent		**362,581**	403,179
Non-controlling interests		**(417)**	115
		362,164	403,294
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the period (RMB)	9	**0.13**	0.16

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	Unaudited For the six months ended June 30, 2018 RMB'000	Unaudited For the six months ended June 30, 2017 RMB'000 (Restated)
Profit for the period	**362,164**	403,294
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(24,730)**	77,926
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(24,730)**	77,926
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**68,072**	–
Income tax effect	**(17,018)**	–
	51,054	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**51,054**	–
Other comprehensive income for the period, net of tax	**26,324**	77,926
Total comprehensive income for the period	**388,488**	481,220
Attributable to:		
Owners of the parent	**388,905**	481,105
Non-controlling interests	**(417)**	115
	388,488	481,220

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2018

	Notes	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,917,412**	4,005,271
Investment properties	10	**367,744**	–
Prepaid land lease payment		**465,213**	489,796
Intangible assets		**1,549,078**	1,178,227
Prepayments and deposits		**259,197**	260,150
Finance lease receivables	11	**85,071**	148,418
Goodwill		**1,222,016**	893,236
Derivative financial instruments		**19,945**	6,573
Investment in a joint venture		**57,933**	57,183
Investments in associates		**40,967**	43,542
Available-for-sale investment		**–**	16,584
Financial assets at fair value through other comprehensive income		**16,727**	–
Deferred tax assets		**105,590**	87,595
Total non-current assets		**8,106,893**	7,186,575
CURRENT ASSETS			
Inventories	12	**4,292,164**	4,109,943
Trade receivables	13	**680,231**	504,767
Prepayments, deposits and other receivables		**8,050,716**	7,494,976
Amounts due from related parties	20(c)	**49,218**	46,340
Finance lease receivables	11	**138,788**	139,179
Pledged bank deposits		**1,315,373**	3,044,892
Cash in transit		**211,575**	35,943
Cash and cash equivalents		**2,022,541**	3,179,357
Total current assets		**16,760,606**	18,555,397

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2018

	Notes	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**4,489,172**	3,269,636
Trade and bills payables	15	**4,066,024**	6,277,400
Other payables and accruals		**1,459,060**	1,349,233
Derivative financial instruments		**6,226**	19,786
Amounts due to related parties	20(c)	**6,000**	124,738
Income tax payable		**424,512**	423,812
Total current liabilities		**10,450,994**	11,464,605
Net current assets		**6,309,612**	7,090,792
Total assets less current liabilities		**14,416,505**	14,277,367
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	**5,925,836**	5,701,590
Other payables		**58,428**	33,022
Deferred tax liabilities		**539,639**	421,021
Derivative financial instruments – non-current		**1,471**	13,739
Amount due to a related party	20(c)	**863,819**	1,158,819
Total non-current liabilities		**7,389,193**	7,328,191
Net assets		**7,027,312**	6,949,176
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	**23,275**	23,275
Reserves		**6,970,236**	6,886,539
		6,993,511	6,909,814
Non-controlling interests		**33,801**	39,362
Total equity		**7,027,312**	6,949,176

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Statutory reserve RMB'000	Meger reserve RMB'000	Other reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profit RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2016	20,836	1,767,128	29,019	452,185	(49,317)	(19,066)	(593,566)	3,395,370	5,002,589	39,731	5,042,320
Add: Business combination involving entities under common control	–	–	–	–	117,335	–	–	(31,906)	85,429	–	85,429
At 31 December 2016 (Restated)	20,836	1,767,128	29,019	452,185	68,018	(19,066)	(593,566)	3,363,464	5,088,018	39,731	5,127,749
Profit for the period (Restated)	–	–	–	–	–	–	–	403,179	403,179	115	403,294
Exchange differences related to foreign operations	–	–	–	–	–	–	77,926	–	77,926	–	77,926
Total comprehensive income for the period	–	–	–	–	–	–	77,926	403,179	481,105	115	481,220
Acquisition of non-controlling interests	–	–	–	(4,519)	–	(10,409)	–	–	(14,928)	(10,782)	(25,710)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	12,000	12,000
Issue of shares	2,439	844,497	–	–	–	–	–	–	846,936	–	846,936
At 30 June 2017 (Restated)	23,275	2,611,625	29,019	447,666	68,018	(29,475)	(515,640)	3,766,643	6,401,131	41,064	6,442,195
At 1 January 2018	**23,275**	**2,611,625**	**29,019**	**565,755**	**(59,317)**	**(29,475)**	**(401,701)**	**4,080,969**	**6,820,150**	**39,362**	**6,859,512**
Add: Business combination involving entities under common control	**–**	**–**	**–**	**–**	**117,335**	**–**	**–**	**(27,671)**	**89,664**	**–**	**89,664**
At 1 January 2018 (Restated)	**23,275**	**2,611,625**	**29,019**	**565,755**	**58,018**	**(29,475)**	**(401,701)**	**4,053,298**	**6,909,814**	**39,362**	**6,949,176**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**362,581**	**362,581**	**(417)**	**362,164**
Changing fair value upon reclassification from own-occupied properties to investment properties	**–**	**–**	**–**	**–**	**–**	**51,054**	**–**	**–**	**51,054**	**–**	**51,054**
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(24,730)**	**–**	**(24,730)**	**–**	**(24,730)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**51,054**	**(24,730)**	**362,581**	**388,905**	**(417)**	**388,488**
Business combination under common control	**–**	**–**	**–**	**–**	**(85,000)**	**–**	**–**	**–**	**(85,000)**	**–**	**(85,000)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**3,144**	**–**	**–**	**3,144**	**(5,144)**	**(2,000)**
Proposed final 2017 dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(239,214)**	**(239,214)**	**–**	**(239,214)**
Equity-settled share-based transactions	**–**	**–**	**15,862**	**–**	**–**	**–**	**–**	**–**	**15,862**	**–**	**15,862**
At 30 June 2018	**23,275**	**2,611,625**	**44,881**	**565,755**	**(26,982)**	**24,723**	**(426,431)**	**4,176,665**	**6,993,511**	**33,801**	**7,027,312**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

	Notes	**Unaudited For the six months ended June 30, 2018 RMB'000**	Unaudited For the six months ended June 30, 2017 RMB'000 (Restated)
Operating activities			
Profit before tax		**496,928**	568,658
Adjustments for:			
Share of profit of a joint venture		**(750)**	(1,496)
Share of losses/(profits) of associates		**2,574**	(929)
Depreciation of property, plant and equipment	5(c)	**174,213**	225,987
Amortisation of prepaid land lease payment	5(c)	**6,943**	9,717
Amortisation of intangible assets	5(c)	**28,870**	25,799
Net loss on disposal of subsidiaries	4(b)	**–**	15,093
Fair value (gain)/loss, net:			
Derivative instruments	4(b)	**(3,203)**	135,830
Equity investments at fair value through profit or loss	4(b)	**–**	891
Change in fair value of investment properties	4(b)	**(28,190)**	–
Write-down of inventories to net realisable value	5(c)	**–**	4,668
Interest income	4(b)	**(21,514)**	(5,340)
Net loss/(gain) on disposal of items of property, plant and equipment	4(b)	**993**	(1,545)
Net loss on disposal of items of intangible assets	4(b)	**10**	–
Finance costs	6	**323,631**	336,250
Equity-settle share option expense	5(a)	**15,862**	–
		996,367	1,313,583
Decrease in pledged bank deposits		**1,738,780**	958,776
(Increase)/decrease in cash in transit		**(175,632)**	18,834
Increase in trade receivables		**(135,908)**	(56,960)
Increase in prepayments, deposits and other receivables		**(292,801)**	(54,896)
Increase in inventories		**(43,202)**	(471,360)
Decrease in trade and bills payables		**(2,245,419)**	(1,194,826)
Decrease in other payables and accruals		**(312,854)**	(127,158)
Decrease/(increase) of finance lease receivables		**63,738**	(923,112)
(Decrease)/increase in amounts due to related parties-trade related		**(120,822)**	6,506
(Increase)/decrease in amounts due from related parties-trade related		**(2,878)**	41,930
Cash used in operations		**(530,631)**	(488,683)
Income tax paid		**(75,257)**	(104,208)
Net cash used in operating activities		**(605,888)**	(592,891)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

	Unaudited For the six months ended June 30, 2018 RMB'000	Unadited For the six months ended June 30, 2017 RMB'000 (Restated)
Investing activities		
Purchase of items of property, plant and equipment	**(382,064)**	(390,403)
Proceeds from disposal of items of property, plant and equipment	**200,672**	147,876
Proceeds from disposal of intangible assets	**34**	–
Purchase of land use rights	**(4,880)**	–
Purchase of intangible assets	**(3,603)**	(289)
Proceed from disposal of equity investments at fair value through profit or loss	**–**	11,159
Acquisition of subsidiaries, net of cash paid	**(549,722)**	(350,688)
Disposal of a subsidiary, net of cash	**–**	(842,616)
Settlement of derivative financial instruments	**(35,997)**	16,790
Interest received	**21,514**	5,309
Business combination under common control	**(85,000)**	–
Net cash used in investing activities	**(839,046)**	(1,402,862)
Financing activities		
Acquisition of non-controlling interests	**(2,000)**	(25,710)
Proceeds from interest-bearing bank and other borrowings	**10,017,628**	8,079,583
Repayment of interest-bearing bank and other borrowings	**(8,879,940)**	(7,686,490)
Interest paid	**(306,734)**	(294,137)
Proceeds from capital injection from non-controlling shareholders of a subsidiary	**–**	12,000
Repayment of advances to related parties	**(295,000)**	–
Proceeds from issue of new shares	**–**	846,936
Dividends paid	**(239,214)**	–
Net cash generated from financing activities	**294,740**	932,182
Net decrease in cash and cash equivalents	**(1,150,194)**	(1,063,571)
Cash and cash equivalents at the beginning of each period	**3,179,357**	3,762,961
Effect of foreign exchange rate changes, net	**(6,622)**	50,476
Cash and cash equivalents at the end of each period	**2,022,541**	2,749,866

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2018

1. GENERAL INFORMATION

Grand Baoxin Auto Group Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 December 2011. On 21 June 2016, China Grand Automotive Services Co., Limited ("**CGA**") officially completed the pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company.

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

In the opinion of the directors of the Company, the ultimate holding company of the Company is 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 30 June 2018 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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new and revised standards and interpretation effective as of 1 January 2018, noted below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than explained below regarding the impact of adopting HKFRS 9 and HKFRS 15, the other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(a) The impact on the financial statements

HKFRS 9 *Financial Instruments* was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments are therefore not reflected in the balance sheet as at December 31, 2017, but are recognised in the opening balance sheet on January 1, 2018.

The Group presented in other comprehensive income ("**OCI**") changes in the fair value of all its unlisted equity investment previously classified as available-for-sale investments, because the investment did not pass the contractual cash flow characteristics test in HKFRS 9. As a result, assets with a fair value of RMB16,584,000 was reclassified from available-for-sale investments to financial assets at fair value through other comprehensive income ("**FVOCI**") on January 1, 2018.

(b) HKFRS 9 *Financial Instruments* – Impact of adoption

(i) Unlisted equity investment previously classified as available-for-sale investments

The adoption of HKFRS 9 from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.2(c) below. In accordance with HKFRS 9, comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognized in the opening retained profits of the current period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

(b) HKFRS 9 *Financial Instruments* – Impact of adoption (continued)

(i) Unlisted equity investment previously classified as available-for-sale investments (continued)

On January 1, 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Available-for-sale investments RMB'000	Financial assets at fair value through other comprehensive income RMB'000
Closing balance as at December 31, 2017	16,584	–
Reclassification from available-for-sale investments to financial assets at fair value through other comprehensive income	(16,584)	16,584
Opening balance as at January 1, 2018	–	16,584

(ii) Impairment of financial assets

The Group has trade receivables that are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging. The adoption of new approach did not result in any impact on the amounts reported in the opening balance sheet on January 1, 2018 and the financial information during the six months ended June 30, 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

While cash and cash equivalents and other receivables are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

(c) HKFRS 9 *Financial Instruments* – Accounting policies applied from January 1, 2018

(i) Investments and other financial assets

Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss ("**PL**")); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in PL or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through PL ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

(c) HKFRS 9 *Financial Instruments* – Accounting policies applied from January 1, 2018 (continued)

(i) Investments and other financial assets(continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from the financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognized directly in profit or loss and presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investments. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment

From January 1, 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

(d) HKFRS 15 *Revenue from Contracts with Customers* – Impact of adoption

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2017 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before January 1, 2017, thus the comparative figures have not been restated.

Except for the reclassification effect below, the adoption of HKFRS 15 did not have material financial impact on the Group's condensed consolidated financial statements.

Reclassifications were made as at January 1, 2018 to be consistent with the terminology used under HKFRS 15 and, accordingly, advances received from customers of RMB806,429,000 were reclassified from advances from customers under other payables and accruals to contract liabilities.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the period of the retirement or disposal.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property as property, plant and equipment up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as movements in the asset revaluation reserve. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

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.

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKFRS 3, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after January 1, 2021
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. Other than explained below regarding the impact of adopting HKFRS 16, the other standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Issued but not yet effective Hong Kong financial reporting standards (continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from January 1, 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 19(b) to the financial statements, at June 30, 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB2,053,976,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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, 2018, 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, 2018 RMB'000	Unaudited For the six months ended June 30, 2017 RMB'000 (Restated)
(a)	**Revenue**		
	Revenue from the sales of motor vehicles	**14,844,457**	14,074,767
	Revenue from after-sales services	**2,116,418**	1,773,090
	Finance leasing services	**20,923**	21,876
		16,981,798	15,869,733
(b)	**Other income and gains, net**		
	Commission income	**358,762**	297,982
	Interest income	**21,514**	5,340
	Advertisement support received from motor vehicle manufacturers	**1,537**	1,102
	Rental income	**3,384**	1,536
	Government grants *	**35,575**	4,346
	Net (loss)/gain on disposal of items of property, plant and equipment	**(993)**	1,545
	Net loss on disposal of items of intangible assets	**(10)**	–
	Changes in fair value of investment properties	**28,190**	–
	Fair value gain/(loss), net:		
	Derivative instruments	**3,203**	(135,830)
	Equity investments at fair value through profit or loss	**–**	(891)
	Net loss on disposal of subsidiaries	**–**	(15,093)
	Foreign exchange difference, net	**(45,789)**	136,306
	Others	**6,077**	8,097
		411,450	304,440

* There are no unfulfilled conditions or contingencies related to these grants.

5. PROFIT BEFORE TAX

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

		Unaudited For the six months ended June 30, 2018 RMB'000	Unaudited For the six months ended June 30, 2017 RMB'000 (Restated)
(a)	**Employee benefit expense (including Directors' and chief executive's remuneration)**		
	Wages and salaries	**402,243**	311,677
	Other welfare	**119,950**	100,776
	Equity-settled share option expense	**15,862**	–
		538,055	412,453
(b)	**Cost of sales and services**		
	Cost of sales of motor vehicles	**14,546,119**	13,581,143
	Others	**1,120,600**	932,565
		15,666,719	14,513,708
(c)	**Other items**		
	Depreciation of property, plant and equipment	**174,213**	225,987
	Amortisation of prepaid land lease payment	**6,943**	9,717
	Amortisation of intangible assets	**28,870**	25,799
	Advertisement and business promotion expenses	**121,404**	73,925
	Auditor's remuneration	**2,600**	2,500
	Bank charges	**15,753**	16,257
	Foreign exchange difference, net	**45,789**	(136,306)
	Lease expenses	**113,132**	94,856
	Logistics and gasoline expenses	**23,619**	19,256
	Office expenses	**11,207**	12,142
	Write-down of inventories to net realisable value	**–**	4,668
	Changes in fair value of investment properties	**(28,190)**	–
	Fair value (gain) /loss, net:		
	Derivative instruments	**(3,203)**	135,830
	Equity investments at fair value through profit or loss	**–**	891
	Net loss/(gain) on disposal of items of property, plant and equipment	**993**	(1,545)
	Net loss on disposal of items of intangible assets	**10**	–
	Interest income	**(21,514)**	(5,340)
	Net loss on disposal of subsidiaries	**–**	15,093

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2018 RMB'000	Unaudited For the six months ended June 30, 2017 RMB'000 (Restated)
Interest on bank loans and other loans	**323,631**	204,806
Incl: loan arrangement fee	**37,607**	38,830
Interest expense on the senior perpetual capital securities	**–**	131,444
Total interest expense on financial liabilities not at fair value through profit or loss	**323,631**	336,250

7. INCOME TAX EXPENSE

	Unaudited For the six months ended June 30, 2018 RMB'000	Unaudited For the six months ended June 30, 2017 RMB'000 (Restated)
Current:		
Mainland China corporate income tax	**151,969**	184,840
Deferred tax	**(17,205)**	(19,476)
Total tax charge for the period	**134,764**	165,364

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, 2017: 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, 2017: 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% (six month ended June 30, 2017: 15%).

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,837,311,429 (six months ended June 30, 2017: 2,582,062,810) 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, 2018 and 2017 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, 2018	Unaudited For the six months ended June 30, 2017 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**362,581**	403,179
Shares		
Weighted average number of ordinary shares in issue during the period	**2,837,311,429**	2,582,062,810
Earnings per share		
Basic and diluted (RMB)	**0.13**	0.16

10. INVESTMENT PROPERTIES

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000
Carrying amount at January 1	**–**	–
Additions	**–**	–
Transfer from owner-occupied properties	**339,554**	–
Fair value gains on investment properties	**28,190**	–
Carrying amount at June 30	**367,744**	–

The application for the ownership certificates of a certain building located in Yangzhou City of Jiangsu Province, the PRC, with a carrying amount of RMB73,458,000 as at June 30, 2018, is in process .

The Company has determined that the investment properties consist of three commercial assets, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on January 1, 2018 and June 30, 2018 based on valuations performed by an independent professionally qualified valuer, at RMB339,554,000 and RMB367,744,000, respectively. The Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 19(b) to the financial statements.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

10. INVESTMENT PROPERTIES (continued)

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

11. 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, 2018 RMB'000	Audited December 31, 2017 RMB'000
Analysed as:		
Current	**138,788**	139,179
Non-current	**85,071**	148,418
	223,859	287,597

11. FINANCE LEASE RECEIVABLES (continued)

At 30 June 2018, the future minimum lease receivables under finance leases were as follows:

Third parties

	Unaudited Minimum lease receivables June 30, 2018 RMB'000	Audited Minimum lease receivables December 31, 2017 RMB'000
Finance lease receivables:		
Within one year	**157,828**	7,416
Later than one year and not later than five years	**96,855**	2,541
	254,683	9,957
Less: Unearned finance income	**30,824**	512
Present value of minimum lease payment receivables	**223,859**	9,445

Related party

	Unaudited Minimum lease receivables June 30, 2018 RMB'000	Audited Minimum lease receivables December 31, 2017 RMB'000
Finance lease receivables:		
Within one year	**–**	153,215
Later than one year and not later than five years	**–**	153,985
	–	307,200
Less: Unearned finance income	**–**	29,048
Present value of minimum lease payment receivables	**–**	278,152

12. INVENTORIES

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
Motor vehicles	**4,066,787**	3,898,397
Spare parts and accessories	**225,377**	211,546
	4,292,164	4,109,943
Less: provision for inventories	**–**	–
	4,292,164	4,109,943

13. TRADE RECEIVABLES

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
Trade receivables	**680,231**	504,767

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, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
Within 3 months	**639,373**	456,403
More than 3 months but less than 1 year	**40,858**	48,364
	680,231	504,767

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2018		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	3.0-7.0	2018-2019	2,129,007
– secured	Hibor*+1	2019	199,489
– secured	4.0-8.5	2018-2019	179,887
– secured	6.6	On demand	29,000
– unsecured	4.0-7.2	2018-2019	591,420
– secured and guaranteed	4.0-6.1	2018-2019	445,988
			3,574,791
Other borrowings			
– guaranteed	3.0-8.0	2018-2019	469,201
– secured	8.9	2018-2019	259,229
– unsecured	4.7-9	2018-2019	69,813
– secured and guaranteed	8.5	2018-2019	116,138
			914,381
			4,489,172
Non-current			
Bank borrowings			
– secured	7.2	2024	28,914
– guaranteed	Libor**+3.2	2020	5,420,747
– guaranteed	4.9	2024	476,175
			5,925,836
			10,415,008

14. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Audited As at 31 December 2017 (Restated)		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	4.0-8.5	2018	697,571
– secured	4.4-9.1	2018	234,794
– secured	6.6	On demand	29,000
– unsecured	4.3-8.5	2018	1,524,622
– secured and guaranteed	4.8-8.9	2018	157,373
			2,643,360
Other borrowings			
– guaranteed	6.4-8.5	2018	57,521
– secured	4.4-9.1	2018	247,731
– unsecured	4.4-8.5	2018	241,008
– secured and guaranteed	7.9-8.9	2018	80,016
			626,276
			3,269,636
Non-current			
Bank borrowings			
– secured	7.2	2024	28,979
– guaranteed	Libor**+3.2	2020	5,324,669
– guaranteed	4.9	2021-2024	347,942
			5,701,590
			8,971,226

* Hong Kong Inter-Bank Offered Rate

** London Inter-Bank Offered Rate

15. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
Trade payables	**403,815**	446,471
Bills payable	**3,662,209**	5,830,929
Trade and bill payables	**4,066,024**	6,277,400

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

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
Within 3 months	**4,031,140**	5,948,022
3 to 6 months	**23,611**	317,011
6 to 12 months	**1,974**	1,260
Over 12 months	**9,299**	11,107
	4,066,024	6,277,400

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

16. SHARE CAPITAL

	As at June 30, 2018 and December 31, 2017
Authorised:	
Ordinary shares	5,000,000,000 ordinary shares of HK$0.01 each
Issued and fully paid:	
Ordinary shares	2,837,311,429 ordinary shares of HK$0.01 each
Equivalent to RMB'000	23,275

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.

On March 28, 2018, the Company granted 75,000,000 ordinary shares (the "Granted Option") of HK$0.01 each in the shares of the Company to directors of the Company ("Scheme A") and other employees of the Group ("Scheme B") under the Scheme. These granted options have a total vesting period of three years, out of which 30%, 30% and 40% will become vested in each of these three years, respectively.

	2018	
	Weighted average exercise price per share HK$	**Number of options**
At January 1	**–**	**–**
Granted during the period	**3.26**	**75,000,000**
At June 30	**3.26**	**75,000,000**

No share options were exercised during the period.

17. SHARE OPTION SCHEME (continued)

The share options are exercisable from March 28, 2018 for a period of 10 years.

The total fair value of the Granted Option was RMB101,741,000. During the six months ended June 30, 2018, the Group recognised a share option expense of RMB15,862,000 (six months ended June 30, 2017: Nil).

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Scheme A	**Scheme B**
Dividend yield (%)	0%	0%
Expected volatility (%)	54.07%	54.07%
Risk-free interest rate (%)	2.77%	2.77%
Underlying price (HK$ per share)	1.82	1.67

At of June 30, 2018, the Company had 75,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 75,000,000 additional ordinary shares of the Company and additional share capital of HK$750,000 and share premium of HK$243,450,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 75,000,000 share options outstanding under the Scheme, which represented approximately 2.64% of the Company's shares in issue as at that date.

18. BUSINESS COMBINATION

(a) 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 March 27, 2018, at a total consideration of RMB619,000,000. The purchase consideration for the acquisition was in the form of cash, with RMB449,317,000 paid by the end of June 30, 2018.

Company Name	**Acquired equity interest %**
Shanghai Zhongguo Baohong Auto Sales & Services Co., Ltd.	100%
Shanghai Putuo Baohong Second-hand car Sales & Service Co., Ltd.	100%
Hefei Baohong Auto Sales & Services Co., Ltd.	100%
Wuhu Zhongguo Baohong Auto Sales & Services Co., Ltd.	100%

18. BUSINESS COMBINATION (continued)

(a) (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	150,837
Prepaid land lease payment	19,540
Intangible assets	396,118
Inventories	139,019
Trade receivable	39,556
Prepayments and other receivables	216,794
Pledged bank deposits	9,261
Cash and cash equivalents	33,320
Trade and bills payables	(34,043)
Accruals and other payables	(337,319)
Bank borrowings	(242,054)
Deferred tax liabilities	(100,809)
Total identifiable net assets	290,220
Goodwill on acquisition	328,780
Total purchase consideration	619,000

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

	RMB'000
Cash consideration paid	(449,317)
Cash and cash equivalents acquired	33,320
Net cash outflow	(415,997)

Since the acquisition, the acquired business contributed RMB627,139,000 to the Group's revenue and RMB20,650,000 to the consolidated profit for the period ended June 30, 2018.

Had the combination taken place at the beginning of the period, the revenue and profit of the Group for the period would have been RMB17,265,133,000 and RMB355,704,000, respectively.

18. BUSINESS COMBINATION (continued)

(b) On January 5, 2018, the Company entered into an agreement with Xinjiang Longze Automobile Services Management Co., Ltd. to acquire 100% equity interests in Shanghai Xinjie Automotive Sales Services Limited ("Shanghai Xinjie") which is a subsidiary of CGA at a cash consideration of RMB85,000,000. As both parties were under control of CGA before and after the combination and such control was not a provisional one, hence these combination were the business combinations involving entities under common control. The consideration of this transaction amounting to RMB85,000,000 was paid on January 31, 2018, and the right of control was transferred to the Group. Therefore from January 5, 2018 onwards, the Group included Shanghai Xinjie in the condensed consolidated interim financial statements, and they are been accounted for as if they had been consolidated as at the beginning of the comparative period.

	From January 1 to January 5, 2018 RMB'000	From January 1 to June 30, 2017 RMB'000
Revenue	–	198,738
Net profit	–	2,852
Net cash flows	–	(27,362)

The carrying amount of Shanghai Xinjie's assets and liabilities at the combination date and the balance sheet date of the previous accounting period are as follows:

	December 31, 2017 and January 5, 2018 RMB'000
Inventories	92,755
Trade and bill receivables	3,766
Prepayments, deposits and other receivables	75,505
Pledged bank deposits	42,814
Cash in transit	67
Cash and cash equivalents	4,224
Property, plant and equipment	44,071
Intangible assets	37,683
Goodwill	438
Deferred tax liabilities	(16,206)
Bank loans and other borrowings	(20,449)
Trade and bills payables	(98,492)
Other payables and accruals	(7,039)
Due to related parties	(69,473)
Total	89,664
Combination difference (through equity interest)	(4,664)
Combination consideration	85,000

19. COMMITMENTS

(a) Capital commitments

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

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000
Contracted, but not provided for land use rights and buildings	**17,526**	29,290
Authorised, but not contracted for land use rights and buildings	**39,332**	69,953
	56,858	99,243

(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:

As lessee

	Unaudited At June 30, 2018			Audited At December 31, 2017(Restated)		
	Properties RMB'000	**Land RMB'000**	**Vehicles RMB'000**	Properties RMB'000	Land RMB'000	Vehicles RMB'000
Within 1 year	**124,952**	**94,954**	**9,462**	125,648	93,228	9,462
After 1 year but within 5 years	**428,050**	**288,390**	**37,850**	443,282	268,063	37,850
After 5 years	**661,390**	**404,985**	**3,943**	721,541	414,098	8,674
	1,214,392	**788,329**	**51,255**	1,290,471	775,389	55,986

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

As lessor

The Group leases its investment properties (note 10) under operating lease arrangements for terms ranging from ten to twelve years. The terms of the leases generally also require the tenants to pay security deposites and provide for arranged rent without any reason according to the then prevailing market conditions.

19. COMMITMENTS (continued)

(b) Operating lease commitments (continued)

As June 30, 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	June 30, 2018 RMB'000	December 31, 2017 RMB'000
Within one year	**9,237**	9,169
After one year but within five years	**54,205**	59,733
After five years	**95,428**	103,721
	158,870	172,623

20. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

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

	Notes	Unaudited June 30, 2018 RMB'000	Unaudited June 30, 2017 RMB'000 (Restated)
Purchase of goods:	(i)		
Daqing Zun Rong Jie Lu Auto Sales & Service Co., Ltd.		**347**	–
Hebei Remit Investment Co., Ltd.		**–**	4,922
Chenzhou Peng Feng Auto Co., Ltd.		**–**	2,210
Sichuan Shen Rong Hong Zheng Auto Sales & Service Co., Ltd.		**–**	1,211
Other subsidiaries controlled by CGA		**–**	4,950
		347	13,293

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties (continued)

	Notes	Unaudited June 30, 2018 RMB'000	Unaudited June 30, 2017 RMB'000
Sales of goods:	(ii)		
Shenzhen Chen Feng Investment co., Ltd.		**55**	886
Shaanxi Jia Hao Jin Ding Auto Services Co., Ltd.		**35**	–
Hanzhong Yinghe Auto Sales & Service Co., Ltd.		**27**	–
Guizhou Qian Tong De Ao Auto Sales & Service Co., Ltd.		**18**	–
Shanxi Jin Xiu Zhi Xing Auto Sales & Service Co., Ltd.		**1**	34
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
Other subsidiaries controlled by CGA		**13**	5,373
		149	27,435
Rental income:	(iii)		
China Grand Auto Services Co., Ltd.		**1,536**	1,536
Lease expenses:	(iv)		
Shenzhen Peng Feng Trading Co., Ltd.		**1,174**	–
Xinjiang Tian Hui Auto Service Co., Ltd.		**524**	–
		1,698	–
Commission income:	(v)		
Shanghai Grand Insurance Agency Co., Ltd. Xinjiang branch		**–**	492
Ziyang He Xin Auto Sales & Service Co., Ltd.		**–**	141
Shanghai Grand Insurance Agency Co., Ltd. Sichuan branch		**–**	13
		–	646
Revenue from financial leasing services:	(vi)		
All Trust Leasing Company Limited		**11,891**	19,185
Interest expenses:	(vii)		
China Grand Auto Services Co., Ltd.		**4,556**	–
Dalian Baoxin Hui Yu Auto Investment management co., Ltd.		**1,478**	–
		6,034	–

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties (continued)

(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 rental income were made according to the charge of lease fee arose from the rental of the Group's office building.

(iv) The lease expenses were charged by Xinjiang Tian Hui Auto Service Co., Ltd. and Shenzhen Peng Feng Trading Co., Ltd according to the market price.

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

(vi) Details of revenue from financial leasing services are given in Note 11.

(vii) Interest expenses were made with reference to the benchmark interest rate prescribed by the PBOC.

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 RMB9,018,089,485 as at the end of the reporting period.

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties

The Group had the following significant balances with its related parties as at June 30, 2018:

	Unaudited June 30 2018 RMB'000	Audited December 31, 2017 RMB'000
Amounts due from related parties:		
Shenyang Xinbaohang Automobile Sales &Services Co., Ltd.	**40,835**	40,835
All Trust Leasing Company Limited	**6,783**	3,007
China Grand Auto Services Co., Ltd.	**1,536**	1,536
Shenzhen Chen Feng Investment co., Ltd.	**64**	962
	49,218	46,340

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000 (Restated)
Amounts due to related parties:		
Dalian Baoxin Hui Yu Auto Investment Management Co., Ltd.	**866,334**	1,160,903
Baoxin Auto Finance I Limited	**3,211**	3,171
China Grand Auto Services Co., Ltd. Dui Long Branch	**252**	–
All Trust Leasing Company Limited	**22**	50,001
China Grand Auto Services Co., Ltd.	**–**	68,561
China Grand Auto Services Co., Ltd. Tianjing Wuqing Branch	**–**	912
Guangxi Electronic and Mechanical Equipment Co., Ltd.	**–**	9
	869,819	1,283,557

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	Unaudited June 30, 2018 RMB'000	Audited December 31, 2017 RMB'000
Finance lease receivables:		
All Trust Leasing Company Limited	**–**	278,152

As at June 30, 2018, balances with related parties were unsecured and non-interest-bearing, and had no fixed repayment terms.

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

	Unaudited June 30, 2018 RMB'000	Unaudited June 30, 2017 RMB'000
Short term employee benefits	**1,994**	2,395
Post-employee benefits	**105**	126
Equity-settled share option expense	**3,179**	–
Total compensation paid to key management personnel	**5,278**	2,521

21. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets were categorized into three groups: 1) financial assets at FVPL – derivative financial instruments; 2) financial assets at amortised cost, 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) financial assets at FVOCI – unlisted equity investments.

The carrying amount of financial assets at FVPL – derivative financial instruments, financial assets at amortized cost and financial assets at FVOCI – unlisted equity investments as at June 30, 2018 were approximately RMB19.9 million, RMB10,549.3 million and RMB16.7 million, respectively (December 31, 2017 (Restated): RMB6.6 million, RMB11,343.9 million and RMB16.6 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. The carrying amount of financial liabilities at amortised cost and held for trading as at June 30, 2018 was amounted to RMB15,312.8 million (December 31, 2017 (Restated): RMB16,466.9 million).

22. COMPARATIVE FIGURE

As further explained in Note 18(b), on January 5, 2018, the Group obtained 100% equity interests in Shanghai Xinjie from CGA. Since Shanghai Xinjie and the Group are subsidiaries of CGA, the acquisition was a business combination under common control. The comparative information which includes the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows, and notes to the condensed consolidated interim financial statements for the comparative period are re-presented as if Shanghai Xinjie had been combined at the beginning of the comparative period.

23. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after June 30, 2018.

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