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

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號：1293

INTERIM REPORT
中期報告
2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. DIAO Jianshen
Ms. LIU Yangfang
Mr. CHAN Wan Tsun Adrian Alan

AUDIT COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Ms. LIU Yangfang
Mr. CHAN Wan Tsun Adrian Alan

REMUNERATION COMMITTEE

Mr. DIAO Jianshen *(Chairman)*
Mr. LI Jianping
Ms. LIU Yangfang

NOMINATION COMMITTEE

Ms. LIU Yangfang *(Chairman)*
Mr. LI Jianping
Mr. DIAO Jianshen

JOINT COMPANY SECRETARIES

Ms. XU Xing
Ms. CHENG Mei Chun

AUTHORISED REPRESENTATIVES

Mr. LI Jianping
Ms. XU Xing

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

No. 3998 Hongxin Road,
Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

REGISTERED OFFICE

P.O. Box 309, Ugland House,
Grand Cayman KY1-1104,
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

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

LEGAL ADVISER TO HONG KONG LAW

DLA Piper Hong Kong
17th Floor, Edinburgh Tower,
The Landmark, 15 Queen's Road Central,
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 2019 (the "**Period**").

In the first half of 2019, according to the statistics from the China Association of Automobile Manufacturers, under the impact of factors such as the slowdown of macroeconomic growth and China-US trade disputes, the sales volume of passenger vehicles in the PRC was 10,127,000 units, representing a year-on-year decrease of 14.0%, and the overall performance of their production and sales volume were still under pressure. However, the overall performances of luxury passenger vehicles and passenger vehicles were vastly different, and such were mainly attributable to the continuous domestic demand for consumption upgrade, constant extension of the product lines of luxury brands as well as a great variety of automobile financial products. The sales volume of luxury passenger vehicles in the PRC still maintained stable growth and amounted to 1,530,000 units, representing a year-on-year growth of 15.6%. We believe that, following the introduction of domestic policies on various areas of automobile consumption and further deepening of tax reduction policies, the year-on-year declining trend of the sales volume of passenger vehicles in the PRC will improve during the second half of 2019, and the Company expects that the sales volume of luxury passenger vehicles will be able to maintain a nearly 10% growth.

According to the statistics from the Traffic Management Bureau of the Ministry of Public Security of the PRC, as of 30 June 2019, the automobile ownership volume in China was 340,000,000 units, among which, private cars (small passenger vehicles and mini passenger vehicles registered in the name of individuals) ownership volume amounted to 198,000,000 units. With the increasing ownership volume and aging of automobiles, it is expected that the after-sales services and derivative markets of passenger vehicles (particularly luxury passenger vehicles) in China will continue to achieve continuous growth in the future. As a result, the source of revenue and gross profit of Chinese car dealers has preliminarily completed the structural transformation from sales of new vehicles to after-sales services, which will facilitate the improvement of car dealers' profitability.

Looking forward to the future, the Company will continue to adhere to our corporate philosophy of "customers first and people-oriented" and actively grasp the changing market trends. We will also embrace such market changes brought by new areas and new models with our forward-looking strategic views and active adjustments to development strategies. Meanwhile, we will continue to improve our corporate performance and enhance our core competency through optimizing the combination of key brands and key areas and adjusting our business structure.

Finally, I would like to extend my heartfelt gratitude to all our business partners and market consumers for their trust and support, as well as to all our shareholders for their encouragement and trust. We shall jointly lead the Company towards steady development. Moreover, on behalf of all shareholders and Directors, I would like to express sincere gratitude to the management team and all staff for their continuous efforts and proactive contributions.

Yours sincerely,
LI Jianping
Chairman

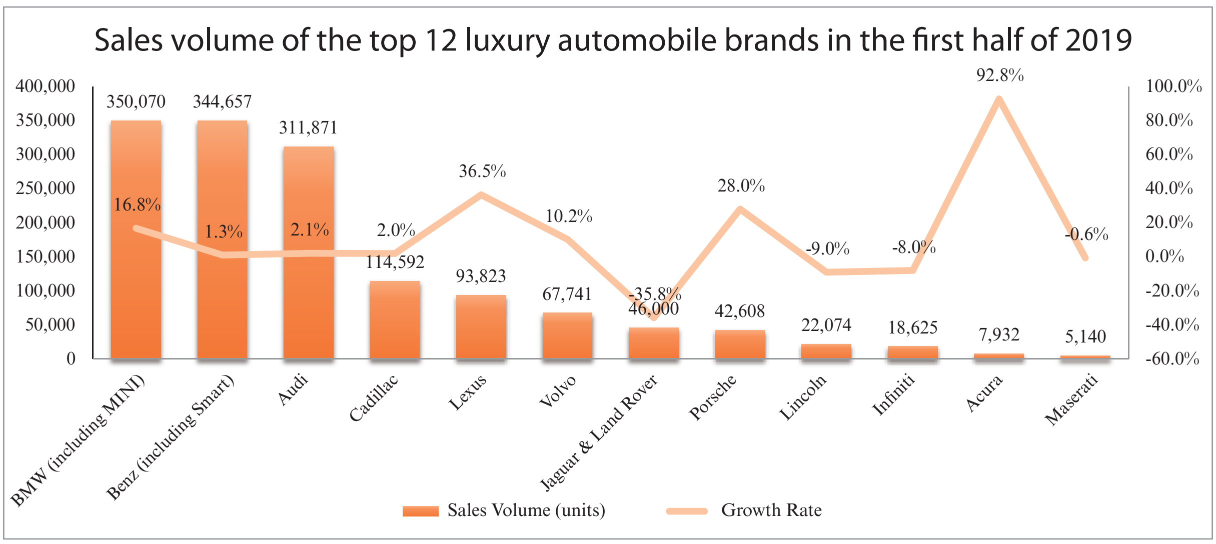
Hong Kong, 23 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back at the first half of 2019, China was in the crucial stage of economic development where old features are replaced by new ones, and the macroeconomy presented a stable yet changing development trend with the GDP growth rate of 6.3%. For the automobile market, such six months was a gloomy period with potentials. According to statistics from the China Association of Automobile Manufacturers, the production and sales volume of automobiles in China recorded 9.978 million units and 10.127 million units respectively in the first half of 2019, representing a decrease of 1.876 million units and 1.648 million units, respectively, compared to the corresponding period of last year. Based on the condition in the first half of the year, the production and sales volume of automobiles were generally low, and were lower than what were expected for the beginning of the year. In addition, as the industry focused on price cuts to clear up the inventory of vehicles for satisfying China V Emission Standard, a significant drop in the inventory index occurred in June. According to "China Automobile Dealers' Vehicle Inventory Alert Index" released by China Automobile Dealers Association, in the first half of 2019, the inventory index decreased as compared with that of the fourth quarter of 2018. In June 2019, the inventory index dropped to a relatively low level of 50.4%, and was reached a record low for June in recent years.

In the first half of 2019, the luxury automobile market in China displayed a complex development pattern. Under the influence of multiple external factors such as the slowdown of macroeconomic growth, Sino-US trade tensions and the reduction of inventory for satisfying China V Emission Standard, luxury automobiles resumed a double-digit growth in the first half of the year. Meanwhile, the competition within the luxury automobile market has remained fierce. According to the data published by the State Information Center (國家信息中心), at the first-tier level, in terms of the cumulative sales of the three leading German brands from January to June, BMW (including MINI) took the lead with 350,070 units. Benz (including Smart) ranked second with 344,657 units, representing a year-on-year growth of 1.3% and a market share of 24%; and Audi was in the third place with 311,871 units, representing a year-on-year growth of 2.1% and a market share of 21%.



(*Note:* The top 12 luxury automobile brands are: Benz, Audi, BMW, Cadillac, Lexus, Jaguar & Land Rover, Volvo, Porsche, Lincoln, Infiniti, Maserati, Acura)

MANAGEMENT DISCUSSION AND ANALYSIS

With the backdrop of a slowing down of growth in the sales volume of new automobiles, secondhand automobile and new energy vehicle markets have maintained positive growth trends in the past two years. China has also promoted the development of the secondhand automobile and new energy vehicle industry through continuous implementation of relevant policies. On the other hand, it can be observed from the market growth rate of a segmental business that, regardless of a new automobile or a secondhand automobile industry, the finance leasing business with a smaller scale yet a more flexible business model has already emerged, and the development of finance leasing business is expected to outperform the traditional retail credit business.

In the first half of 2019, the volume of vehicle transfer registration business continued to grow, the transaction market of secondhand automobile has been increasingly active. The total number of automobile transfer registration being processed in China was 11.97 million, among which the number of vehicle transfer registration was 11.66 million, accounting for 97.4%, representing an increase of 1.44 million as compared to the first half of 2018, with a growth rate of 14.14%.

In the first half of 2019, the new energy vehicle ownership volume in China reached 3.44 million units, accounting for 1.37% of the total number of vehicles, representing an increase of 1.45 million units as compared to the first half of 2018, with a growth rate of 72.85%. Among which, the electric vehicles ownership volume was 2.81 million units, accounting for 81.74% of the total number of new energy vehicles.

BUSINESS OVERVIEW

During the Period, the Company continued to lay equal stress on both the sales volume of automobiles and the quality of its services. While maintaining the stable overall sales volume of new automobiles, the Company also focused on the business transformation and upgrading to gradually shift from "sales-based" business to "service-based" business, which on one hand facilitated the optimization of the Company's profit structure, and on the other hand greatly enhanced the service quality of after-sales business to better fulfil the demands of customers and reduce the impact of industry fluctuations on the Company, thereby ensuring a stable, sustainable and healthy long term development of the Company.

As at 30 June 2019, the Group recorded revenue of approximately RMB17,348.2 million, representing a growth of 2.2% compared to the corresponding period, and achieved a gross profit of RMB1,359.7 million, representing an increase of 3.4% compared to the corresponding period. The profit attributable to owners of the parent was RMB320.1 million, representing a decrease of 11.7% compared to the corresponding period, and the earnings per share was RMB0.11.

New automobile sales

In the first half of 2019, considering the sluggish automobile consumption market, the Group adopted more prudent operational strategies and slowed down the pace of bulk purchasing, striving to secure the profitability of new automobile sales. As at 30 June 2019, the Group achieved a new automobile sales revenue of RMB15,037.9 million, representing a growth of 1.3% compared to the corresponding period, in which the sales revenue of luxury and ultra-luxury cars reached RMB13,436.5 million, representing a growth of 3.1% compared to the corresponding period, which accounted for 89.4% of new automobile sales revenue. In the first half of 2019, the overall gross profit margin of new automobiles of the Group was 2.0% and remained stable as compared to the gross profit margin of new automobiles in the first half of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, on one hand, through refining the internal management system and after gathering and analyzing data by leveraging its SAP comprehensive management system, and taking into consideration the product cycle of each brand and market situation, the Group has established pricing policies and refined assessment objectives for 4S stores in different regions according to market condition, in order to ensure steady growth of new automobile sales. On the other hand, through the optimization of the inventory and reduction in its costs and making adjustments to the existing inventory structure, the Group ensured that its inventory indicators have always been at a reasonable scale and in a healthy structure. The aforementioned not only enhanced the efficiency in the use of the working capital, but also effectively controlled our cost of sales, and hence avoided the risks arising from market volatilities.

In terms of the optimization of new automobiles sales model, we proactively explored brand new ideas under the new internet trend and aimed at increasing the sales volume of automobiles ordered online through enhancing internet channel diversion, obtaining the information of online customers and resources as well as using the digital marketing platform.

After-sales services

In the first half of 2019, the revenue of after-sales services was RMB2,288.9 million, representing an increase of 8.2% compared to the corresponding period, accounting for 13.2% of the total revenue of the Group. The gross profit of after-sales services was RMB1,041.5 million, representing a slight increase compared to the same period, and the gross profit margin of after-sales services was 45.5%.

During the Period, the Group capitalized on a wide range of resources from its base customers and the ERP system and the mobile after-sales service platform, an application named "Hui Yang Che" (匯養車), jointly created with its controlling shareholder China Grand Automotive Services Group Co., Ltd. ("**CGA**"), to provide our customers application tools such as a convenient, efficient and multi-channel online booking service, roadside assistance and on-site customer satisfaction surveys and continuously increase the after-sales service capabilities and quality of the Company, thereby further improving the after-sales service experience of customers and their satisfaction to the personalized demands. While enhancing the capabilities of the online and offline services, the Group also enhanced customer satisfaction and increased their reliance to achieve a stable growth of after-sales business.

Meanwhile, the Group enhanced the effect of the SAP 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 and increase efficiency so as to reasonably arrange logistics, optimize the supply chain, and improve the operational efficiency of the stores.

Derivative business

During the Period, the Group proactively expanded its automobile derivative businesses by continuously overhauling the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative businesses. As at 30 June 2019, the revenue from the Group's automobile derivative businesses was RMB382.2 million, representing an increase of 6.5% compared to the corresponding period.

Automobile finance business

During the Period, the Group recorded a revenue of financial services business of RMB128.4 million, representing an increase of 16.2% compared to RMB110.5 million in the first half of 2018. Meanwhile, the financial penetration rate of the automobile finance market in respect of the new automobile business reached 60.7% in this reporting period.

During the Period, the Group and CGA created a synergistic effect together. They leveraged on the improved financial risk control platform to conduct more effective pre-lending risk review, risk management in the lending process and post-lending risk control. Meanwhile, the Group has been dedicated to enhancing the asset quality of automobile loans, which greatly improved the approval efficiency. The Group has also successively optimized and enriched its variety of innovative financial products while insisting on taking the customers' good experience as the lead and fund cycle of the customers as the center.

During the Period, the Group and CGA jointly launched an online risk control system – "Instant Automobile Financing (車秒貸)", through which customers need only to apply by mobile phones, obtain their loan approvals instantly in three minutes, and then head towards the offline stores to make appointments for car purchase. Such financing approach not only broke the time and space restrictions that traditional financial risk control for car purchase encounters, but also adhered to the principle of risk control as the key element.

Secondhand automobile business

During the Period, the number of secondhand automobiles of the Group traded accumulated to 18,631 units and the penetration rate of secondhand automobiles was 34.4%.

During the Period, the Group fully utilized the internal car sources and widened customer base of existing 4S stores as the basis of its secondhand automobile business. Through the efficient secondhand automobile ERP integrated management system, the Group further strengthened the secondhand automobile business management measures of 4S store channels. Meanwhile, relying on the excellent business ability of its secondhand automobile team, the Group conducted strict testing and screening on automobile sources, and retailed the retail automobile sources which complied with the certified standards of manufacturers at the officially-certified secondhand automobile showrooms, thus enhanced brand influence among customers. In addition, leveraging on secondhand automobile trading platform constructed across regions, the Group was able to constantly raise the secondhand automobile exchange ratio through methods such as the exchange of secondhand automobiles with new automobiles, thereby acquiring more secondhand automobile sources to achieve stable business growth.

Insurance business

During the Period, the commission income of the Group's insurance business was RMB154.2 million, representing an increase of 1.1% as compared to that of RMB152.5 million in the first half of 2018, and the revenue from extended warranty business increased by 29.3%.

Against the background of China Banking and Insurance Regulatory Commission ("CBIRC") implementing "deregulation of premium rate for three times (三次費改)" and "integration of implementation and execution (報行合一)", the Group followed the market rules and achieved planning in advance and quick responses. Through adopting a portfolio marketing approach, the Group has raised its insurance penetration rate of paint surface insurance, scratch insurance and other guarantee services, and also strived to provide more safer and competitive insurance products of well-designed and perfecting types, so as to strengthen its differentiated competitiveness, thereby enhanced customer loyalty and also guaranteed the steady growth of insurance agency income.

MANAGEMENT DISCUSSION AND ANALYSIS

Network layout

Being 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 grow bigger and stronger. During the 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 constantly integrating and optimizing the existing dealing network, and consolidated and increased the coverage and market share in major cities.

As at 30 June 2019, the Group owned a total of 113 automobile dealing stores, including 91 luxury and ultra-luxury 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 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 2019, our revenue was RMB17,348.2 million, representing a growth of approximately 2.2% as compared to the same period in 2018. The increase was primarily due to an increase of RMB193.4 million, or 1.3%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2018.

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

	Unaudited For the six months ended 30 June 2019		Unaudited For the six months ended 30 June 2018	
Revenue Source	**Revenue (RMB'000)**	**Contribution (%)**	Revenue (RMB'000)	Contribution (%)
Automobile sales	**15,037,865**	**86.7**	14,844,457	87.4
After-sales business	**2,288,915**	**13.2**	2,116,418	12.5
Finance lease income	**21,446**	**0.1**	20,923	0.1
Total	**17,348,226**	**100.0**	16,981,798	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 86.7% of our total revenue for the six months ended 30 June 2019. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 89.4% (six months ended 30 June 2018: 87.8%) and 10.6% (six months ended 30 June 2018: 12.2%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB193.4 million was mainly attributable to the increase in living standard of residents, which stimulated the demand for luxury vehicles and in turn increased the revenue from the sales of luxury and ultra-luxury vehicles of the Group during the Period.

Revenue from our after-sales business increased by 8.2% from RMB2,116.4 million for the six months ended 30 June 2018 to RMB2,288.9 million for the same period in 2019. 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. The relevant contribution of our after-sales business to our revenue increased from 12.5% for the six months ended 30 June 2018 to 13.2% for the same period in 2019.

Cost of sales and services

For the six months ended 30 June 2019, our cost of sales and services increased by 2.1%, from RMB15,666.7 million for the same period in 2018 to RMB15,988.5 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB14,741.0 million for the six months ended 30 June 2019, representing an increase of RMB194.9 million, or 1.3%, as compared to the same period of 2018. The cost of sales attributable to our after-sales business amounted to RMB1,247.4 million for the six months ended 30 June 2019, representing an increase of RMB126.8 million, or 11.3%, from the same period in 2018.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2019 was RMB1,359.7 million, representing an increase of RMB44.6 million, or 3.4%, from the same period in 2018. Gross profit from automobile sales decreased by 0.5% from RMB298.3 million for the six months ended 30 June 2018 to RMB296.9 million for the same period in 2019, of which RMB283.9 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 4.6% from RMB995.8 million for the six months ended 30 June 2018 to RMB1,041.5 million for the same period in 2019. Automobile sales and after-sales business contributed 21.8% and 76.6%, respectively, to the total gross profit for the six months ended 30 June 2019.

Gross profit margin for the six months ended 30 June 2019 was 7.8% as compared to 7.7% of the same period last year, of which the gross profit margin of automobile sales was 2.0% and remained stable as compared to the same period last year. The gross profit margin of after-sales business recorded a slight decrease to 45.5% as compared to 47.1% of the same period last year.

Other income and net gains

Other income and net gains increased by 18.2% from RMB411.5 million for the six months ended 30 June 2018 to RMB486.3 million for the same period in 2019, mainly due to an increase in the commission income from RMB358.8 million for the six months ended 30 June 2018 to RMB382.2 million for the same period of 2019. During the Period, the Group recorded other gains amounting to RMB25.0 million from fair value gains on investment properties.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2019 increased by 12.5% from RMB822.4 million in the same period last year to RMB924.9 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended 30 June 2019 decreased by 12.0% from RMB362.2 million in the same period last year to RMB318.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2019, our cash and bank amounted to RMB2,776.3 million, representing an increase of 8.4% from RMB2,561.1 million as at 31 December 2018.

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 2019, our net cash generated from operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB156.6 million (six months ended 30 June 2018: used in RMB605.9 million), RMB58.1 million (six months ended 30 June 2018: RMB839.0 million), and RMB136.4 million (six months ended 30 June 2018: RMB294.7 million), respectively.

Net current assets

As at 30 June 2019, we had net current assets of RMB1,896.9 million, representing a decrease of RMB3,985.3 million from RMB5,882.2 million as at 31 December 2018.

Capital expenditures

Our capital expenditures primarily comprise expenditures on property, plant and equipment, land use rights and other intangible assets. During the six months ended 30 June 2019, our total capital expenditure was RMB283.2 million (six months ended 30 June 2018: RMB390.5 million).

Inventory

Our inventories primarily consist 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 RMB3,459.9 million as of June 30, 2019, a 16.2% decrease from RMB4,126.7 million as of December 31, 2018, and our average inventory turnover days for the six months ended 30 June 2019 decreased from 48.3 days to 42.7 days as compared to the corresponding period in 2018.

Interest-bearing bank and other borrowings

As at 30 June 2019, the Group's available and unutilised banking facilities amounted to approximately RMB7,575.3 million (31 December 2018: RMB8,544.0 million).

Our interest-bearing bank and other borrowings as at 30 June 2019 were RMB10,720.3 million, representing an increase of RMB1,049.8 million from RMB9,670.5 million as at 31 December 2018. The increase was mainly due to the improvement of bank facility structure, the decrease of bill financing, and the use of more bank lending products with lower interest rates.

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 is 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. 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. 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 2019 was 64.1% (31 December 2018: 69.3%).

Human resources

As at 30 June 2019, the Group has approximately 7,177 employees (30 June 2018: 7,999). Total staff costs for the six months ended 30 June 2019, excluding directors' remuneration, were approximately RMB541.2 million (six months ended 30 June 2018: RMB532.8 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 2019 and 31 December 2018, 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 2019, the pledged group assets amounted to approximately RMB4,162.2 million (31 December 2018: RMB5,999.5 million).

Changes since 31 December 2018

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 2018.

FUTURE OUTLOOK AND STRATEGIES

Driven by factors including the macroeconomy, newly emerged technologies and consumption upgrade, the demand and supply structure of the automobile industry will experience a major reform. At the supply side, as the demands of the industry are being increasingly saturated, the focus of competition in the automobile industry will gradually shift from capacity-based onto stock-based and from grow in quantity onto grow in quality. At the demand side, as the proportion of users purchasing additional vehicles or trade-in existing vehicles is growing rapidly and the pace of consumption upgrade is accelerating, the products genuinely fulfilling the in-depth requirements of consumers will be well-received by the market. The quote "trust is gold" best describes the current automobile industry. Following the gradual reflection of the effects of a series of policies on consumption boosting, and the implementation of China VI standard in various provinces and cities as well as the investment in numerous China VI motor vehicle products, it is expected that these will be certainly helpful in bolstering confidence in the automobile industry.

The automobile industry is moving towards the trend of developing in a more intelligent, energy-saving and personalized manner. Facing the challenges and opportunities arising from transformation and upgrading, the Company will continue to leverage its reasonable regional distribution and brand portfolio to consolidate the strengths of its core brands including BMW and Audi while optimizing its business structure continuously, and focusing on its automobile after-sales market business to further enhance the scale effects of the after-sales and derivative business, thereby maintaining a healthy business growth.

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 2019, no share option has been 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 2019 were as follows:

						Number of shares options						
	Date of grant	Exercise price per share	Exercise period from	Exercise period until	Vesting period (Notes)	Outstanding as at 01/01/2019	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Others during the Period	Outstanding as at 30/06/2019
(i) Directors												
LI Jianping	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	4,000,000	–	–	–	–	400,000(v)	3,600,000
WANG Xinming	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	4,000,000	–	–	–	–	400,000(v)	3,600,000
LU Ao	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	2,000,000	–	–	–	–	200,000(v)	1,800,000
QI Junjie	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	2,000,000	–	–	–	–	200,000(v)	1,800,000
XU Xing	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	2,000,000	–	–	–	–	200,000(v)	1,800,000
(ii) Eligible employees	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	61,000,000	1,400,000(vi)	200,000	310,000	940,000	–	60,950,000
				Total:		75,000,000	1,400,000(vi)	200,000	310,000	940,000	1,400,000(v)	73,550,000

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.

(v) During the Period, 1,400,000 share options were temporarily lapsed which were later cancelled in July 2019.

(vi) The eligible employee(s) who received the share options had left the Group in June 2019 and therefore the options were cancelled in July 2019.

Details of Share Option Scheme and the share options issued under the Share Option Scheme are included in note 16 to the financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2019, the interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") 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	–	3,600,000(L)	0.13%
WANG Xinming	Beneficial owner	–	3,600,000(L)	0.13%
QI Junjie	Beneficial owner	–	1,800,000(L)	0.06%
LU Ao	Beneficial owner	–	1,800,000(L)	0.06%
XU Xing	Beneficial owner	–	1,800,000(L)	0.06%

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 2019, none of the Directors, chief executives and their respective associates had any interests or 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 2019, 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 2019, 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 2019, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company whose interests or 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[3]	Approximate percentage in the Company's issued voting shares
China Grand Automotive Services (Hong Kong) Limited ("CGA HK") (廣匯汽車服務(香港)有限公司) [1]	Beneficial interest	1,921,117,571 (L)	67.70%
*China Grand Automotive Services Co., Ltd. ("CGA Limited") (廣匯汽車服務有限責任公司) [1]	Interest in controlled corporation	1,921,117,571 (L)	67.70%
Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) [1]	Interest in controlled corporation	1,921,117,571 (L)	67.70%
China Grand Automotive Services Group Co., Ltd. ("CGA") (廣匯汽車服務集團股份公司) [1]	Interest in controlled corporation	1,921,117,571 (L)	67.70%
Baoxin Investment Management Ltd. [2]	Beneficial interest	219,379,630 (L)	7.73%
Mr. YANG Aihua[2]	Interest in controlled corporation	219,379,630 (L)	7.73%

* For identification purpose only

Notes:

(1) CGA HK 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 44.23% by CGA Limited and approximately 55.77% by CGA). CGA Limited is wholly owned by CGA. Each of CGA Limited, Shanghai Huiyong Automotive Distribution Co., Ltd. and CGA are deemed to be interested in the shares held by CGA HK.

(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) The letter "L" denotes the person's long 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 2019.

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 below details of loan facilities, which existed during the year ended 31 December 2018 and up to the date of this interim report and included conditions relating to specific performance of the controlling shareholder of the Company:

On 12 May 2017, the Company (as the borrower) entered into a facility agreement (the "**2017 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 "**2017 Facility**"). The 2017 Facility is available for drawdown for a period of six (6) months from the date of the 2017 Facility Agreement and the loans made under the 2017 Facility Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. The purpose of the 2017 Facility is primarily to refinance the existing indebtedness of the Company and for the corporate funding requirement of the Company. Pursuant to the 2017 Facility Agreement, upon the occurrence of a "Change of Control", any of the Lenders may cancel any or all of its commitments under the 2017 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 2017 Facility Agreement to include, among others:

(i) CGA, 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 CGA HK or ceases to control CGA HK.

On 30 November 2018, the Company and Baoxin Auto Finance I Limited ("**Baoxin Finance**"), a wholly-owned subsidiary of the Company's controlling shareholder CGA HK, (as borrowers) entered into a facilities agreement (the "**2018 Facilities Agreement**") with, among others, a syndicate of banks (collectively, the "**Lenders**") with Standard Chartered Bank (Hong Kong) Limited as mandated lead arranger and bookrunner, facility agent and security agent for term loan facilities in the aggregate amount of US$358,000,000, of which US$190,500,000 is to the Company and US$167,500,000 is to Baoxin Finance (the aggregate amount may be increased by the Company and Baoxin Finance in accordance with the 2018 Facilities Agreement to an amount of not more than US$800,000,000) (the "**2018 Facilities**"). The 2018 Facilities are available for drawdown for a period of 9 months from the date of the 2018 Facilities Agreement and the loans made under the 2018 Facilities Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. CGA will provide joint and several liability guarantee for the 2018 Facilities. The purpose of the 2018 Facilities is (among others) to refinance the existing indebtedness of the Company and for general corporate purposes of the Company.

Pursuant to the 2018 Facilities Agreement, upon the occurrence of a "Change of Control", any of the Lenders may cancel any or all of its commitments under the 2018 Facilities 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 2018 Facilities Agreement to include, among others:

(i) CGA, directly or indirectly, ceases to be the single largest shareholder of the Company or ceases to control the Company;

(ii) the Company ceases to be consolidated in the audited and consolidated financial statements of CGA; or

(iii) CGA ceases to beneficially own, directly or indirectly, 100% of the issued share capital of CGA HK or ceases to control CGA HK.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, throughout the six months ended 30 June 2019, 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 reviewing such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 2019.

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 2019 and are of the view that the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 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 2019 and on or before the date of this interim report.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2019, the Group did not hold any significant investment in equity interest in any other company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the six months ended 30 June 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2019

	Notes	**Unaudited For the six months ended June 30, 2019 RMB'000**	Unaudited For the six months ended June 30, 2018 RMB'000
REVENUE	4(a)	**17,348,226**	16,981,798
Cost of sales and services provided	5(b)	**(15,988,534)**	(15,666,719)
Gross profit		**1,359,692**	1,315,079
Other income and gains, net	4(b)	**486,335**	411,450
Selling and distribution expenses		**(578,946)**	(552,670)
Administrative expenses		**(342,153)**	(351,476)
Profit from operations		**924,928**	822,383
Finance costs	6	**(398,171)**	(323,631)
Share of profits and losses of:			
A joint venture		**1,325**	750
Associates		**2,966**	(2,574)
Profit before tax	5	**531,048**	496,928
Income tax expense	7	**(212,445)**	(134,764)
Profit for the period		**318,603**	362,164
Attributable to:			
Owners of the parent		**320,143**	362,581
Non-controlling interests		**(1,540)**	(417)
		318,603	362,164
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the period (RMB)	9	**0.11**	0.13

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019

	Unaudited For the six months ended June 30, 2019 RMB'000	Unaudited For the six months ended June 30, 2018 RMB'000
Profit for the period	**318,603**	362,164
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges	**(30,017)**	–
Time value component of fair value hedges	**29,355**	–
Exchange differences on translation of foreign operations	**(12,820)**	(24,730)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(13,482)**	(24,730)
Other comprehensive income that will not 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 that will not be reclassified to profit or loss in subsequent periods	**–**	51,054
Other comprehensive income for the period, net of tax	**(13,482)**	26,324
Total comprehensive income for the period	**305,121**	388,488
Attributable to:		
Owners of the parent	**306,661**	388,905
Non-controlling interests	**(1,540)**	(417)
	305,121	388,488

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Notes	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,658,304**	3,963,972
Investment properties	10	**395,907**	370,905
Right-of-use assets		**1,980,789**	–
Prepaid land lease payments		**–**	455,695
Other intangible assets		**1,495,122**	1,523,106
Prepayments and deposits		**60,902**	58,757
Finance lease receivables		**131,372**	131,710
Amounts due from related parties	18(c)	**25,000**	25,000
Goodwill		**1,222,016**	1,222,016
Derivative financial instruments		**–**	10,359
Investment in a joint venture		**101,321**	99,995
Investments in associates		**70,522**	31,556
Financial assets at fair value through other comprehensive income		**–**	36,000
Deferred tax assets		**186,972**	168,219
Total non-current assets		**9,328,227**	8,097,290
CURRENT ASSETS			
Inventories	11	**3,459,878**	4,126,679
Trade receivables	12	**529,165**	557,966
Prepayments, other receivables and other assets		**8,991,591**	8,974,134
Amounts due from related parties	18(c)	**5,607**	10,619
Derivative financial instruments		**40,173**	16,649
Finance lease receivables		**204,974**	191,338
Pledged deposits		**1,249,462**	3,547,907
Cash in transit		**194,539**	46,208
Cash and bank		**2,776,329**	2,561,065
Total current assets		**17,451,718**	20,032,565

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Notes	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**8,686,319**	3,842,108
Trade and bills payables	14	**3,918,800**	7,519,402
Other payables and accruals		**1,274,466**	1,265,316
Derivative financial instruments		**1,044**	2,995
Lease liabilities		**250,458**	–
Amounts due to related parties	18(c)	**869,851**	923,661
Income tax payable		**553,871**	477,412
Finance lease payables		**–**	119,509
Total current liabilities		**15,554,809**	14,150,403
NET CURRENT ASSETS		**1,896,909**	5,882,162
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,225,136**	13,979,452
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**2,034,005**	5,828,368
Other payables		**42,864**	42,882
Deferred tax liabilities		**502,186**	535,028
Derivative financial instruments		**30,093**	–
Amounts due to a related party	18(c)	**–**	352,788
Finance lease payables		**–**	121,400
Lease liabilities		**1,189,818**	–
Total non-current liabilities		**3,798,966**	6,880,466
Net assets		**7,426,170**	7,098,986
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**23,277**	23,275
Reserves		**7,369,393**	7,040,671
		7,392,670	7,063,946
Non-controlling interests		**33,500**	35,040
Total equity		**7,426,170**	7,098,986

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2019

	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 profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Other comprehensive income for the period:											
Revaluation of investment properties	–	–	–	–	–	51,054	–	–	51,054	–	51,054
Exchange differences on 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
At 1 January 2019	**23,275**	**2,372,411**	**76,998**	**708,731**	**(26,982)**	**(11,363)**	**(555,445)**	**4,476,321**	**7,063,946**	**35,040**	**7,098,986**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**320,143**	**320,143**	**(1,540)**	**318,603**
Transfer upon financial instrument becoming an associate	**–**	**–**	**–**	**–**	**–**	**(18,616)**	**–**	**18,616**	**–**	**–**	**–**
Cash flow hedges	**–**	**–**	**–**	**–**	**–**	**(30,017)**	**–**	**–**	**(30,017)**	**–**	**(30,017)**
Time value component of fair value hedges	**–**	**–**	**–**	**–**	**–**	**29,355**	**–**	**–**	**29,355**	**–**	**29,355**
Exchange differences on related to foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(12,820)**	**–**	**(12,820)**	**–**	**(12,820)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(19,278)**	**(12,820)**	**338,759**	**306,661**	**(1,540)**	**305,121**
Issue of shares	**2**	**–**	**571**	**–**	**–**	**–**	**–**	**–**	**573**	**–**	**573**
Equity-settled share-based transactions	**–**	**–**	**21,490**	**–**	**–**	**–**	**–**	**–**	**21,490**	**–**	**21,490**
At 30 June 2019	**23,277**	**2,372,411**	**99,059**	**708,731**	**(26,982)**	**(30,641)**	**(568,265)**	**4,815,080**	**7,392,670**	**33,500**	**7,426,170**

These reserve accounts comprise the consolidated reserves of RMB7,369,393,000 (June 30, 2018: RMB6,970,236,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019

	Notes	Unaudited For the six months ended June 30, 2019 RMB'000	Unaudited For the six months ended June 30, 2018 RMB'000
Operating activities			
Profit before tax		**531,048**	496,928
Adjustments for:			
Share of profit of a joint venture		**(1,325)**	(750)
Share of (profits)/losses of associates		**(2,966)**	2,574
Depreciation of property, plant and equipment	5(c)	**141,272**	174,213
Depreciation of right-of-use assets	5(c)	**104,806**	–
Amortisation of prepaid land lease payments	5(c)	**–**	6,943
Amortisation of other intangible assets	5(c)	**30,846**	28,870
Fair value loss/(gain), net:			
Intrinsic value of hedging instruments		**6,259**	–
Non-hedging instruments	4(b)	**2,171**	(3,203)
Write-down of inventories to net realisable value	5(c)	**(1,726)**	–
Provision for impairment of financial assets:			
Impairment of trade receivables	5(c)	**600**	–
Impairment of prepayments, other receivables and other assets	5(c)	**614**	–
Impairment of financial lease receivables		**22**	–
Bank interest income	4(b)	**(18,837)**	(21,514)
Loss on disposal of items of property, plant and equipment	4(b)	**122**	993
Loss on disposal of items of other intangible assets	4(b)	**–**	10
Finance costs	6	**398,171**	323,631
Equity-settle share option expense	5(a)	**21,490**	15,862
Fair value gains on investment properties	5(c)	**(25,002)**	(28,190)
		1,187,565	996,367
Decrease in pledged bank deposits		**2,298,445**	1,738,780
Increase in cash in transit		**(148,331)**	(175,632)
Decrease/(increase) in trade receivables		**28,201**	(135,908)
Increase in prepayments, deposits and other receivables		**(1,434,333)**	(292,801)
Decrease/(increase) in inventories		**668,526**	(43,202)
Decrease in trade and bills payables		**(3,600,602)**	(2,245,419)
Increase/(decrease) in other payables and accruals		**1,299,831**	(312,854)
(Increase)/decrease in finance lease receivables		**(13,320)**	63,738
Decrease in amounts due to related parties-trade related		**(6,598)**	(120,822)
Decrease/(increase) in amounts due from related parties-trade related		**5,012**	(2,878)
Cash generated from/(used in) operations		**284,396**	(530,631)
Income tax paid		**(127,834)**	(75,257)
Net cash generated from/(used in) operating activities		**156,562**	(605,888)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019

	Unaudited For the six months ended June 30, 2019 RMB'000	Unadited For the six months ended June 30, 2018 RMB'000
Investing activities		
Purchase of items of property, plant and equipment	**(272,679)**	(382,064)
Proceeds from disposal of items of property, plant and equipment	**205,210**	200,672
Proceeds from disposal of other intangible assets	**–**	34
Purchase of land use rights	**–**	(4,880)
Purchase of other intangible assets	**(2,863)**	(3,603)
Acquisition of subsidiaries, net of cash paid	**(19,553)**	(549,722)
Settlement of derivative financial instruments	**5,884**	(35,997)
Interest received	**25,880**	21,514
Business combination under common control	**–**	(85,000)
Net cash used in investing activities	**(58,121)**	(839,046)
Financing activities		
Acquisition of non-controlling interests	**–**	(2,000)
Proceeds from interest-bearing bank and other borrowings	**11,268,275**	10,017,628
Repayment of interest-bearing bank and other borrowings	**(10,248,547)**	(8,879,940)
Principal portion of lease payments	**(175,493)**	–
Interest paid	**(308,444)**	(306,734)
Repayment of advances to related parties	**(400,000)**	(295,000)
Dividends paid	**–**	(239,214)
Received capital injection from a non-controlling shareholder	**573**	–
Net cash generated from financing activities	**136,364**	294,740
Net increase/(decrease) in cash and cash equivalents	**234,805**	(1,150,194)
Cash and cash equivalents at the beginning of each period	**2,561,065**	3,179,357
Effect of foreign exchange rate changes, net	**(19,541)**	(6,622)
Cash and cash equivalents at the end of each period	**2,776,329**	2,022,541

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2019

1. GENERAL INFORMATION

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 since December 14, 2011. On June 21, 2016, CGA officially completed the pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company.

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

In the opinion of the directors, the ultimate holding company of the Company is CGA, the shares of which are listed on the Shanghai Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended June 30, 2019 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 December 31, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRS**") effective as of January 1, 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards has had no significant financial effect on these financial statements. The nature and impact of HKFRS 16 are described below:

(a) HKFRS 16 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 account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at January 1, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings and vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and presented separately in the condensed consolidated interim financial statements as at June 30, 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at January 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at January 1, 2019 are as follows:

	Unaudited Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	2,044,699
Decrease in property, plant and equipment	(248,467)
Decrease in prepaid land lease payments	(455,695)
Decrease in prepayments, other receivables and other assets	(74,091)
Increase in total assets	1,266,446
Liabilities	
Increase in lease liabilities	1,507,355
Decrease in finance lease payables	(240,909)
Increase in total liabilities	1,266,446

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 is as follows:

	Unaudited RMB'000
Operating lease commitments as at December 31, 2018	2,197,804
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	(27,882)
Add:	
Commitments relating to lease previously classified as finance leases	240,909
Total undiscounted lease liabilities as at 1 January 2019 for adoption of HKFRS 16	2,410,831
Weighted average incremental borrowing rate as at January 1, 2019	6.5%
Lease liabilities as at January 1, 2019	1,507,355

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended December 31, 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from January 1, 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) Adoption of HKFRS 16 (continued)

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				
	Prepaid land lease payments RMB'000	**Buildings** RMB'000	**Motor vehicles** RMB'000	**Total** RMB'000	**Lease liabilities** RMB'000
As at January 1, 2019	455,695	1,340,537	248,467	2,044,699	1,507,355
Additions	–	40,896	–	40,896	39,698
Depreciation charge	(7,106)	(83,122)	(14,578)	(104,806)	–
Interest expense	–	–	–	–	47,208
Payments	–	–	–	–	(153,985)
As at June 30, 2019	448,589	1,298,311	233,889	1,980,789	1,440,276

The Group recognised rental expenses from short-term leases of RMB15,332,000 for the period.

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, 2019, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

	Unaudited For the six months ended June 30, 2019 RMB'000	Unaudited For the six months ended June 30, 2018 RMB'000
An analysis of revenue is as follows:		
Revenue from contracts with customers		
Sale of motor vehicles	**15,037,865**	14,844,457
After-sales services	**2,288,915**	2,116,418
Revenue from other sources		
Finance leasing services	**21,446**	20,923
	17,348,226	16,981,798

Revenue from contracts with customers

(i) **Disaggregated revenue information**

	Unaudited RMB'000
For the period ended June 30, 2019	
Type of goods or service	
Sale of motor vehicles	15,037,865
After-sales services	2,288,915
Total	17,326,780
Timing of revenue recognition	
Goods transferred at a point in time	15,037,865
Service transferred at a point in time	2,288,915
Total	17,326,780

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Sale of motor vehicles

The performance obligation is satisfied upon delivery of the motor vehicles and payment is generally due within 30 days from delivery.

After-sales services

The performance obligation is satisfied upon finalisation, delivery and acceptance upon the service completion and payment is generally on delivery date.

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Other income and gains, net

	Unaudited For the six months ended June 30, 2019 RMB'000	Unaudited For the six months ended June 30, 2018 RMB'000
Commission income	**382,161**	358,762
Bank interest income	**18,837**	21,514
Advertisement support received from motor vehicle manufacturers	**6,818**	1,537
Rental income	**24,348**	3,384
Government grants*	**39,053**	35,575
Loss on disposal of items of property, plant and equipment	**(122)**	(993)
Loss on disposal of items of other intangible assets	**–**	(10)
Net fair value (loss)/gain on derivative instruments	**(2,171)**	3,203
Fair value gains on investment properties	**25,002**	28,190
Foreign exchange difference, net	**(7,475)**	(45,789)
Others	**(116)**	6,077
	486,335	411,450

* 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, 2019 RMB'000	Unaudited For the six months ended June 30, 2018 RMB'000
(a)	**Employee benefit expense (including Directors' and chief executive's remuneration)**		
	Wages and salaries	**415,226**	402,243
	Other welfare	**110,052**	119,950
	Equity-settled share option expense	**21,490**	15,862
		546,768	538,055
(b)	**Cost of sales and services**		
	Cost of sales of motor vehicles	**14,740,994**	14,546,119
	Others	**1,247,540**	1,120,600
		15,988,534	15,666,719
(c)	**Other items**		
	Depreciation of property, plant and equipment	**141,272**	174,213
	Amortisation of prepaid land lease payments	**–**	6,943
	Amortisation of other intangible assets	**30,846**	28,870
	Advertisement and business promotion expenses	**116,640**	121,404
	Auditor's remuneration	**3,050**	2,600
	Bank charges	**15,789**	15,753
	Foreign exchange difference, net	**7,475**	45,789
	Depreciation of right-of-use assets	**104,806**	–
	Lease expenses	**15,332**	113,132
	Logistics and gasoline expenses	**31,472**	23,619
	Office expenses	**9,132**	11,207
	Impairment of financial assets:		
	Impairment of trade receivables	**600**	–
	Impairment of prepayments, other receivables and other assets	**614**	–
	Impairment of financial lease receivables	**22**	–
	Write-down of inventories to net realisable value	**(1,726)**	–
	Net fair value loss/(gain) on derivative instruments	**2,171**	(3,203)
	Fair value gains on investment properties	**(25,002)**	(28,190)
	Loss on disposal of items of property, plant and equipment	**122**	993
	Loss on disposal of items of other intangible assets	**–**	10
	Bank interest income	**(18,837)**	(21,514)

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2019 RMB'000	Unaudited For the six months ended June 30, 2018 RMB'000
Interest on bank loans and other loans	**350,963**	323,631
Incl: loan arrangement fee	**58,465**	37,607
Interest expense on lease liabilities	**47,208**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**398,171**	323,631

7. INCOME TAX EXPENSE

	Unaudited For the six months ended June 30, 2019 RMB'000	Unaudited For the six months ended June 30, 2018 RMB'000
Current:		
Mainland China corporate income tax	**264,041**	151,969
Deferred tax	**(51,596)**	(17,205)
Total tax charge for the period	**212,445**	134,764

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, 2018: 16.5%) 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, 2018: 25%).

According to the CIT Law and the Taxation Policies on In-depth Implementation of Western Region Development Strategy, four subsidiaries of the Company has been approved by the authority to pay income tax at the reduced tax rate of 15% (six months ended June 30, 2018: 15%).

According to the CIT Law and the Taxation Reduction Policies on Small and Micro enterprise, two subsidiaries of the Company have been approved by the authority to enjoy a 75% reduction in taxable income which not in excess of RMB1 million and a tax rate of 20%.

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: 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 2,837,323,120 (six months ended June 30, 2018: 2,837,311,429) in issue during the period.

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

Because the exercise price of share options is higher than the market price, the share options were ignored in the calculation of diluted earnings per share.

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

	Unaudited For the six months ended June 30, 2019	Unaudited For the six months ended June 30, 2018
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**320,143**	362,581
Shares		
Weighted average number of ordinary shares in issue during the period	**2,837,323,120**	2,837,311,429
Earnings per share		
Basic and diluted (RMB)	**0.11**	0.13

10. INVESTMENT PROPERTIES

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Carrying amount at beginning of the period/year	370,905	339,554
Fair value gains on investment properties	25,002	31,351
Carrying amount at end of the period/year	395,907	370,905

The application for the ownership certificates of a certain building located in Yangzhou City of Jiangsu Province, the PRC, with a carrying amount of RMB78,940,000 as at June 30, 2019 (December 31, 2018: RMB74,555,000), 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 June 30, 2019 based on valuations performed by an independent professionally qualified valuer at RMB395,907,000 (December 31, 2018: RMB370,905,000). The Group's management has decided to appoint an 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 17(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.

11. INVENTORIES

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Motor vehicles	3,210,041	3,899,526
Spare parts and accessories	260,039	239,081
	3,470,080	4,138,607
Less: provision for inventories	10,202	11,928
	3,459,878	4,126,679

12. TRADE RECEIVABLES

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Trade receivables	**533,102**	561,681
Impairment	**(3,937)**	(3,715)
	529,165	557,966

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not offer any credit to the Group's customers for automobile purchases or for out-of-warranty repairs that are not covered by insurance. However, the Group generally provides a credit term of two to three months to automobile manufacturers for the reimbursement of costs relating to the in-warranty repair services. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Within 3 months	**466,682**	483,898
More than 3 months but less than 1 year	**39,852**	59,036
Over 1 year	**22,631**	15,032
	529,165	557,966

The movements in the loss allowance for impairment of trade receivables are as follows:

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
At beginning of the period/year	**3,715**	–
Impairment losses	**222**	3,715
At end of the period/year	**3,937**	3,715

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at June 30, 2019		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	4.6-7.2	2019-2020	1,088,690
– guaranteed	HIBOR*+2.0	2020	293,894
– guaranteed	LIBOR**+3.2	2020	4,264,328
– secured	6.6	On demand	29,000
– unsecured	4.3-7.2	2019-2020	1,396,380
– secured and guaranteed	3.8-8.8	2019-2020	926,178
			7,998,470
Other borrowings (interest-free)			
– guaranteed	–	2019	68,074
– secured	–	2019	89,027
– secured and guaranteed	–	2019-2020	392,146
			549,247
Other borrowings (non-interest-free)			
– guaranteed	8.5	2019	5,685
– unsecured	8.0	2019	430
– secured and guaranteed	3.7-11.0	2019-2020	132,487
			138,602
			8,686,319
Non-current			
Bank borrowings			
– guaranteed	LIBOR**+3.1	2022	1,278,253
– guaranteed	4.9	2020-2025	734,092
– secured and guaranteed	5.4	2024	21,660
			2,034,005
			10,720,324

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

	Audited As at December 31, 2018 Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	4.6-7.2	2019	2,165,801
– secured	HIBOR*+1.0	2019	207,321
– secured	6.6	On demand	29,000
– unsecured	4.4-6.0	2019	263,987
– secured and guaranteed	4.8-6.3	2019	587,882
			3,253,991
Other borrowings			
– unsecured	8.0-9.0	2019	184,236
– secured and guaranteed	4.7-9.0	2019	403,881
			588,117
			3,842,108
Non-current			
Bank borrowings			
– guaranteed	LIBOR**+3.2	2020	5,072,205
– guaranteed	4.90	2020-2025	731,998
– secured and guaranteed	5.40	2021-2024	24,165
			5,828,368
			9,670,476

* Hong Kong Inter-Bank Offered Rate
** London Inter-Bank Offered Rate

14. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Trade payables	390,124	350,777
Bills payable	3,528,676	7,168,625
Trade and bill payables	3,918,800	7,519,402

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

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Within 3 months	3,283,351	7,061,668
3 to 6 months	606,696	428,863
6 to 12 months	2,682	4,349
Over 12 months	26,071	24,522
	3,918,800	7,519,402

The trade and bills payables are non-interest-bearing. The trade payables are normally settled on 60-day terms.

15. SHARE CAPITAL

	Unaudited June 30, 2019	Audited December 31, 2018
Shares		
Authorised:		
Ordinary shares	5,000,000,000 shares of HK$0.01 each	5,000,000,000 shares of HK$0.01 each
Issued and fully paid:		
Ordinary shares	2,837,511,429 shares of HK$0.01 each	2,837,311,429 shares of HK$0.01 each
Equivalent to RMB'000	23,277	23,275

Details of the Company's share option scheme and the share options issued under the scheme are included in note 16 of the financial statements.

16. 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.

	2019	
	Weighted average exercise price HK$ per share	Number of options
At January 1	3.256	75,000,000
Forfeited during the period	3.256	(1,250,000)
Exercised during the period	3.256	(200,000)
At June 30	3.256	73,550,000

16. SHARE OPTION SCHEME (continued)

The weighted average share price at the date of exercise for share options exercised during the period was HK$3.256 per share (six months ended June 30, 2018: No share options were exercised).

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, 2019, the Group recognised a share option expense of RMB21,490,000 (six months ended June 30, 2018: RMB15,862,000).

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, 2019, the Company had 73,550,000 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 73,550,000 additional ordinary shares of the Company and additional share capital of HK$735,500 and share premium of HK$238,743,300 (before issue expenses).

At the date of approval of these financial statements, the Company had 73,550,000 share options outstanding under the Scheme, which represented approximately 2.64% of the Company's shares in issue as at that date.

17. COMMITMENTS

(a) Capital commitments

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

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Contracted, but not provided for land use rights and buildings	**3,589**	68,591
Authorised, but not contracted for land use rights and buildings	**29,680**	31,475
	33,269	100,066

17. COMMITMENTS (continued)

(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, 2019			Audited At December 31, 2018		
	Properties RMB'000	Land RMB'000	Vehicles RMB'000	Properties RMB'000	Land RMB'000	Vehicles RMB'000
Within 1 year	18,693	–	–	151,076	102,484	–
After 1 year but within 5 years	–	–	–	465,540	346,192	–
After 5 years	–	–	–	625,049	507,463	–
	18,693	–	–	1,241,665	956,139	–

As at June 30, 2019, the Group leased a number of residential properties with a lease period of 3 to 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

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.

As June 30, 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	June 30, 2019 RMB'000	December 31, 2018 RMB'000
Within one year	15,030	11,896
After one year but within five years	65,412	66,488
After five years	78,453	85,070
	158,895	163,454

18. 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, 2019 RMB'000**	Unaudited June 30, 2018 RMB'000
Purchase of goods:	(i)		
Guangxi Hongtian Auto Sales & Service Co., Ltd.		**201**	–
Nanning Zhongzhiyuan Dili Auto Sales & Service Co., Ltd.		**18**	–
Yan'an Guanghui Star Auto Sales & Service Co., Ltd.		**3**	–
Yulin Olsen Automobile Trading Co., Ltd.		**2**	–
Shaanxi Huining Automobile Trading Co., Ltd.		**1**	–
Daqing Zun Rong Jie Lu Auto Sales & Service Co., Ltd.		**–**	347
		225	347

	Notes	**Unaudited June 30, 2019 RMB'000**	Unaudited June 30, 2018 RMB'000
Sales of goods:	(ii)		
Shaanxi Jia Hao Jin Ding Auto Services Co., Ltd.		**20**	35
Shenzhen Chen Feng Investment Co., Ltd.		**–**	55
Hanzhong Yinghe Auto Sales & Service Co., Ltd.		**–**	27
Guizhou Qian Tong De Ao Auto Sales & Service Co., Ltd.		**–**	18
Other subsidiaries contolled by CGA		**7**	14
		27	149

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties (continued)

	Notes	Unaudited June 30, 2019 RMB'000	Unaudited June 30, 2018 RMB'000
Rental income:	(iii)		
Shanghai Guanghui Detai Insurance Brokerage Co., Ltd.		**107**	–
CGA		**29**	1,536
		136	1,536
Lease expenses:	(iv)		
Xinjiang Tian Hui Auto Service Co., Ltd.		**1,150**	524
Shenzhen Peng Feng Trading Co., Ltd.		**–**	1,174
		1,150	1,698
Revenue from financial leasing services:			
All Trust Leasing Company Limited		**–**	11,891
Finance cost from financial leasing services:			
All Trust Leasing Company Limited	(v)	**10,977**	–
Interest expenses:	(vi)		
Dalian Baoxin Hui Yu Auto Investment management co., Ltd.		**1,394**	1,478
CGA		**552**	4,556
		1,946	6,034
Repayment of advances to related parties:			
CGA		**400,000**	–

(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 arising 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) Finance cost from financial leasing services was made according to the market price.

(vi) 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.

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Other transaction with related parties:

The company's ultimate holding company has guaranteed certain bank loans made to the Group of up to RMB7,040,000,000 as at the end of the reporting period.

(c) Balances with related parties

The Group had the following significant balances with its related parties as at June 30, 2019:

	Unaudited June 30 2019 RMB'000	Audited December 31, 2018 RMB'000
Amounts due from related parties:		
All Trust Leasing Company Limited	**25,965**	26,729
Wuxi Kailong Real Estate Co., Ltd.	**4,641**	8,890
Yan'an Guanghui Star Automobile Sales & Service Co., Ltd.	**1**	–
	30,607	35,619

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Amounts due to related parties:		
Dalian Baoxin Hui Yu Auto Investment Management Co., Ltd.	**864,770**	864,850
Baoxin Auto Finance I Limited	**3,336**	3,330
All Trust Leasing Company Limited	**925**	8,010
CGA	**804**	400,252
Xi'an International Port Area Guanghui Used Car Sales Co., Ltd.	**13**	–
Yulin Olsen Automobile Trading Co., Ltd.	**3**	–
Baoji Baodi Automobile Sales Co., Ltd.	**–**	6
Xinjiang Longze Automobile Services Management Co., Ltd.	**–**	1
	869,851	1,276,449

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Lease liabilities:		
All Trust Leasing Company Limited	**182,401**	–

	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
Finance lease payables:		
All Trust Leasing Company Limited	**–**	240,909

As at June 30, 2019, except for lease liabilities to All Trust Leasing Company Limited and amounts due to Dalian Baoxin Huiyu, balances with related parties were unsecured and non-interest bearing, and had fixed repayment terms.

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

	Unaudited June 30, 2019 RMB'000	Unaudited June 30, 2018 RMB'000
Short-term employee benefits	**2,228**	1,994
Post-employment benefits	**117**	105
Equity-settled share option expense	**3,240**	3,179
Total compensation paid to key management personnel	**5,585**	5,278

19. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets were categorized into three groups: 1) financial assets at fair value through profit or loss – derivative financial instruments; 2) financial assets at amortised cost, including trade receivables, finance lease receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, pledged bank deposits, cash in transit and cash and cash equivalents; 3) financial assets at fair value through other comprehensive income – unlisted equity investments.

The carrying amount of financial assets at fair value through profit or loss – derivative financial instruments, fair value at amortised cost and financial assets at fair value through other comprehensive income- unlisted equity investments as at June 30, 2019 were approximately RMB40.2 million, RMB12,316.3 million and RMB nill, respectively (December 31, 2018: RMB27.0 million, RMB14,034.5 million and RMB36.0 million, respectively).

The Group's financial liabilities were categorised into two groups: 1) financial liabilities at fair value through profit or loss – derivative financial instruments; 2) financial liabilities at amortised cost, including trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank loans, other borrowings and financial lease payables.

The carrying amount of financial liabilities at fair value through profit or loss – derivative financial instruments and financial liabilities at amortised cost as at June 30, 2019 were approximately RMB31.1 million and RMB15,821.5 million, respectively (December 31, 2018: RMB3.0 million and RMB18,385.6 million, respectively).

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank, cash in transit, pledged bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, the current portion of amounts due from related parties, the current portion of finance lease receivables, trade and bills payables, financial liabilities included in other payables and accruals, amounts due to related parties, the current portion of bank and other borrowings and the current portion of lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's treasury department headed by the treasury manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The treasury manager reports directly to the chief financial officer and the audit committee. At each reporting date, the treasury department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of long term deposits, finance lease receivables, amounts due from related parties, interest-bearing bank and other borrowings, lease liabilities and amounts due to related parties have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease receivables, and interest-bearing bank and other borrowings and lease liabilities as at June 30, 2019 was assessed to be insignificant. Management has assessed that the fair values of the non-current portion of bank loans and other borrowings with floating interest rates approximate to their carrying amounts because the interest rates are adjusted periodically by reference to the fair market interest rates.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			
	Unaudited Quoted prices in active markets (Level 1) RMB'000	**Unaudited Significant observable inputs (Level 2) RMB'000**	**Unaudited Significant unobservable inputs (Level 3) RMB'000**	**Unaudited total RMB'000**
Derivative financial instruments	**–**	**40,173**	**–**	**40,173**

As at 31 December 2018

	Fair value measurement using			
	Audited Quoted prices in active markets (Level 1) RMB'000	Audited Significant observable inputs (Level 2) RMB'000	Audited Significant unobservable inputs (Level 3) RMB'000	Audited total RMB'000
Derivative financial instruments	–	27,008	–	27,008
Financial assets at fair value through other comprehensive income	–	–	36,000	36,000
	–	27,008	36,000	63,008

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2019

	Fair value measurement using			
	Unaudited Quoted prices in active markets (Level 1) RMB'000	Unaudited Significant observable inputs (Level 2) RMB'000	Unaudited Significant unobservable inputs (Level 3) RMB'000	Unaudited total RMB'000
Derivative financial instruments	–	31,137	–	31,137

As at 31 December 2018

	Fair value measurement using			
	Audited Quoted prices in active markets (Level 1) RMB'000	Audited Significant observable inputs (Level 2) RMB'000	Audited Significant unobservable inputs (Level 3) RMB'000	Audited total RMB'000
Derivative financial instruments	–	2,995	–	2,995

21. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after June 30, 2019.

GRAND BAOXIN AUTO GROUP LIMITED

廣匯寶信汽車集團有限公司