



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



2020

INTERIM REPORT 中期報告

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. LU Wei (*Chairman*) (appointed on 28 August 2020)  
Mr. WANG Xinming (*President*)  
Mr. QI Junjie (resigned on 1 May 2020)  
Mr. LU Ao  
Ms. XU Xing  
Mr. LI Jianping (resigned on 28 August 2020)

### 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. LU Wei (appointed on 28 August 2020)  
Ms. LIU Yangfang  
Mr. LI Jianping (resigned on 28 August 2020)

## NOMINATION COMMITTEE

Ms. LIU Yangfang (*Chairman*)  
Mr. LU Wei (appointed on 28 August 2020)  
Mr. DIAO Jianshen  
Mr. LI Jianping (resigned on 28 August 2020)

## JOINT COMPANY SECRETARIES

Ms. XU Xing  
Ms. WONG Pui Yin Peony (appointed on 1 May 2020)  
Ms. CHENG Mei Chun (resigned on 1 May 2020)

## AUTHORISED REPRESENTATIVES

Mr. LU Wei (appointed on 28 August 2020)  
Ms. XU Xing  
Mr. LI Jianping (resigned on 28 August 2020)

## STOCK CODE

1293

## WEBSITE

[www.klbaoxin.com](http://www.klbaoxin.com)

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

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Minhang District, Shanghai, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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  
25th Floor,  
Three Exchange Square,  
8 Connaught Place,  
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**” or “**our Company**”), I am pleased to present the interim report of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**we**” or “**us**”) for the six months ended 30 June 2020 (the “**Reporting Period**”).

At the beginning of 2020, the outbreak of the novel coronavirus pneumonia (“**COVID-19**”) and the strict quarantine measures implemented in every city in China have severely affected the market of automobiles. During the period from January to February 2020, the total sales volume of passenger vehicles in China was 1,831,000 units, representing a year-on-year decrease of 43.6%, among which, the total sales volume in February was 224,000 units, indicating significant decreases in month-on-month and year-on-year sales volume, with a month-on-month decrease of 86.1% and a year-on-year decrease of 81.7%, respectively.

Meanwhile, in order to boost the confidence of the automobile consumer market, local governments have successively introduced various supporting policies to encourage the consumption in the automobile industry in the first half of 2020, which have explained the boost in sales in the automobile consumption, especially luxury cars. According to the statistics of the China Automobile Dealers Association, in the first half of 2020, the sales volume of the luxury car market in China have reached 1.04 million, a year-on-year increase of 1%. The Group believes that the continue demand for automobile consumption upgrade in China, our expanding product lines of luxury brands, and a wide range of auto finance products offering will all be the driving force that supports the long-term growth of luxury cars in the future. It is expected that the mainstream luxury car brands will continue to maintain a positive growth trend in 2020.

The Group will adhere to its corporate philosophy of “Service First”, capture opportunities brought about by the market trends and timely adjust its development strategies. The Group will enhance its business achievements as well as improve its core competitiveness through methods such as refined management and continuous optimization of business structure.

Last but not least, on behalf of the Group, I would like to extend my heartfelt gratitude to all our shareholders, customers and business partners for their enduring trust and support and to all diligent and dedicated staff. We are convinced that, all the achievements the Group has made are attributed to the great support of everyone and concerted efforts of our team. Looking forward to the future, promised by the vast market space in China, we are bound to attain our desired objectives and maximise returns for shareholders.

Yours sincerely,

**LI Jianping**

*Chairman*

Hong Kong, 28 August 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

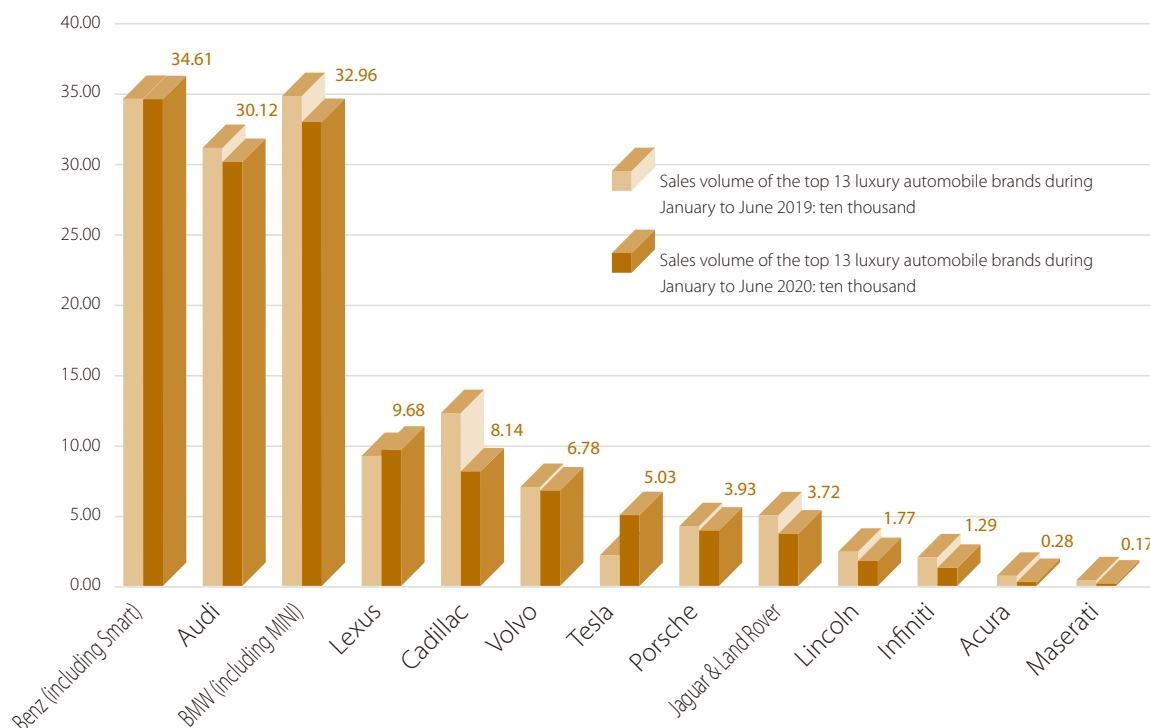
In early 2020, the effect of the COVID-19 pandemic outbreak not only had imposed severe challenges to the domestic economy, but also had a severe impact on the automobile market. Such period of stagnancy in the automobile market was evidenced by the suspension of work and production as well as the lack of offline consumption scenarios. It was the root cause of the difficult situation that the automobile market faced during the first half of this year. According to the statistics of China Association of Automobile Manufacturers, for the period from January to June 2020, the production and sales volume of passenger vehicles were 7,754,000 units and 7,873,000 units respectively, representing a year-on-year decrease of 22.5% and 22.4% respectively as compared to the same period in 2019.

Meanwhile, the automobile market has been recovering rapidly since the COVID-19 pandemic had been under control. According to the statistical analysis of the China Automobile Dealers Association, in June 2020, the production and sales volume of passenger vehicles in China were 1,798,000 units and 1,764,000 units respectively, representing a year-on-year increase of 12.2% and 1.8% respectively. The monthly sales volume in luxury car retail market has been rising. The incentive from respective local government policies and the frequently held regional automobile showrooms in June had effectively stimulated car consumption. In June 2020, luxury car dealers' terminal sales reached 310,000 units, representing a year-on-year increase of 1.8% and a month-on-month growth of 6.3%, indicating a positive sales growth for four consecutive months. Sales volume of luxury automobile in the second quarter of 2020 was nearly 70,000 units more than the corresponding period of last year, indicating that the luxury automobile market not only has gradually recovered from the impact of the COVID-19 pandemic and started its positive trend, but also has the expectation of its annual sales volume turning positive and maintaining single-digit growth.

In the first half of 2020, Benz (Smart included) still led the luxury automobile market, with sales volume reaching 346,067 units in the first half of the year, and was also the only brand which had recorded a growth (slight growth of 0.4%) among the BBA brands. Sales volume of BMW (MINI included) in the first half of the year was 329,069 units, representing a drop of 6% when compared with the same period of last year. Sales volume of Audi in the first half of the year had a year-on-year decrease of 3.2%. In terms of new energy vehicles, sales volume of Tesla in the first half of the year had a year-on-year growth of 96.72%, and its sales volume further rose with the subsequent launch of the follow-up Model Y manufactured in China. As for Jaguar & Land Rover brand, 2020 is its year of "aggressive product campaign". From April to June 2020, sales volume of Jaguar & Land Rover in China achieved month-on-month growth for three consecutive months. With the launch of new car models and the iteration cycle of various mainstream car models, it is expected that the brand market appeal will be significantly strengthened.

# MANAGEMENT DISCUSSION AND ANALYSIS

Sales volume of the top 13 luxury automobile brands in the first half of 2020



(Note: The top 13 luxury automobile brands are: Benz (Smart), Audi, BMW (MINI), Lexus, Cadillac, Volvo, Tesla, Porsche, Jaguar & Land Rover, Lincoln, Infiniti, Acura, Maserati)

## BUSINESS OVERVIEW

During the period for the six months ended 30 June 2020, as the leading dealer of luxury brand passenger vehicles in China, the Company emphasized automobile sales just as much as service quality in its policy concern. While facilitating the optimization of its profit structure, the Company also actively improved its after-sale services quality, with the ultimate goal to deliver the best services most agreeable to the needs of customers, so as to address the uncertainties caused by the pandemic and industry fluctuations, and to safeguard the healthy, steady and sustainable growth of the Company in the long run.

For the six months ended 30 June 2020, our revenue amounted to approximately RMB14,603.0 million, a year-on-year decrease of 15.9%; gross profit amounted to RMB937.0 million, a decrease of 31.1%; profit attributable to owners of the parent amounted to RMB92.7 million, a decrease of 70.7%, and earnings per share recorded RMB0.03.

# MANAGEMENT DISCUSSION AND ANALYSIS

## New automobile sales

In the first half of 2020, in order to tackle with the COVID-19 pandemic, the Group adopted more prudent operational strategies and slowed down the pace of bulk purchasing, in order to diminish inventory pressure. For the six months ended 30 June 2020, the Group sold a total of 42,362 units of new automobiles, representing a drop of 21.9% compared to the corresponding period in 2019, and the Group achieved a new automobile sales revenue of RMB12,760.6 million, representing a drop of 15.2% compared to the corresponding period in 2019, in which the sales volume of luxury and ultra-luxury cars was 33,233 units, representing a decrease of 7,498 units compared to the corresponding period in 2019, and such sales revenue reached RMB11,618.2 million, representing a drop of 13.5% compared to the corresponding period, which accounted for 91.0% of new automobile sales revenue. In the first half of 2020, the overall gross profit margin of new automobiles of the Group was 1.4%, representing a decrease of 0.6 percentage point when compared to the corresponding period in 2019.

During the Reporting Period, affected by the spread of the COVID-19 pandemic, cities across China had adopted relatively strict control measures in the first quarter of the year, and the offline business of the Group was obviously impacted. The customer traffic and the sales volume of new automobiles from various dealing stores have dropped considerably, which indirectly affected the number of admissions from after-sales services and our derivative business, etc. With the COVID-19 pandemic gradually under control in the second quarter, the market is steadily recovering. Driven by favorable policies, the demand on automobile previously suppressed by the pandemic has now unleashed and has stabilized the automobile market, therefore the production and operations of the Group have also resumed to normal level.

Due to the lack of offline business during such exceptional period, the Group has also actively optimized its new automobile sales models. The “stay at home” quarantine measures during the pandemic has driven the car-watching demand for consumers and the Group has adopted a new model of car-watching and sales through the “everything can be broadcast (萬物皆可播)” webcast livestreaming program. Apart from enhancing the interaction with consumers, our webcast livestreaming program can also improve the promotion effect of various brands. We can also efficiently obtain records, resources and related information of our online consumers, so as to shorten the decision-making process of our consumers, and effectively integrate our own resources and operational advantages with the online resources, big data, and new retail advantages of internet e-commerce, thus creating a new automotive retail service platform with our own brands effect.

## After-sales services

In the first half of 2020, the revenue of after-sales services was RMB1,823.5 million, representing a decrease of 20.5% compared to the corresponding period, accounting for 12.5% of the total revenue of the Group. The gross profit of after-sales services was RMB742.1 million, and the gross profit margin of after-sales was 40.7%.

For the six months ended 30 June 2020, the after-sales services business of the Group have resumed growth after the pandemic is contained. During the Reporting Period, the Group continued to strengthen its cost control while increasing its income sources and reducing expenditure, leverage the advantages of its business scale to centralize procurement and allocation of parts and components in various regions. While ensuring the quality of its services and products, the Group will further control its procurement costs in order to minimize the adverse impact of the COVID-19 pandemic.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Derivative business

During the Reporting Period, the Group proactively expanded its automobile derivative businesses by continuously overhauling the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative businesses. For the six months ended 30 June 2020, the commission income from the Group's automobile derivative businesses was RMB422.3 million, representing an increase of 10.5% compared to the corresponding period.

The Group believes that the future of the automobile derivative business will continue to be the driving force of the automobile service industry in the future. During the Reporting Period, based on the special circumstances of quarantine caused by the COVID-19 pandemic, the Group focused on establishing a car-watching webcast livestreaming program and an online virtual reality showrooms aiming to increase the stickiness of its online consumers. By implementing its online operations in 4S shops at various outlets, we can offer potential customers with a multi-dimensional comparative analysis of various automobile models online without our staffs leaving their home, which established a solid foundation for offline transactions after the pandemic is contained. Even when our offline business have gradually recovered and the pressure has released, the Group will maintain our webcast livestreaming of car-watching as our new normal.

- Automobile finance business

During the Reporting Period, the Group recorded a commission income of financial services business of RMB94.3 million, representing a decrease of 26.6% compared to RMB128.4 million in the first half of 2019. Meanwhile, the financial penetration rate of the automobile finance market in respect of the new automobile business increased from 60.7% in the first half of 2019 to 62.9% in this Reporting Period.

- Secondhand automobile business

During the Reporting Period, the number of secondhand automobiles of the Group traded accumulated to 14,620 units, representing a decrease of 21.5% compared to the same period. The penetration rate of the secondhand automobile business was 34.8%, which maintained stable compared to the same period last year.

- Insurance business

During the Reporting Period, the commission income of the Group's insurance business was RMB132.4 million, representing a decrease of 14.1% as compared to that of RMB154.1 million in the first half of 2019, and the commission income from extended warranty business increased by 339.2%.

## Network layout

As a leading domestic dealer of luxury brands automobiles, the Group's business mainly concentrates in the eastern part of China, which acts as the axis for expanding into the northern, central and southern parts of China and also the northeast and northwest regions, thus covering the majority of the mainstream market for luxury and ultra-luxury automobiles in China as of now.



# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, against the backdrop of the overall market situation of the automobile industry and the pandemic, the Group promptly adjusted its strategic policy and adopted a more cautious attitude towards external network expansion. At the same time, the Group focused on the improvement on management optimization and operational efficiency of its existing stores, enhanced the concentration on high-quality brands and eliminated weaker brands. Based on the above reasons, the Group has disposed of 3 secondhand automobile dealing stores to CGA, its controlling shareholder, during the Reporting Period, so as to achieve the objectives of cost reduction and optimization. Meanwhile, the Group also refurbished and improved its existing stores, and managed to reduce capital expenditure of the Company while further raised the efficiency of capital usage, thus allowing itself to have a steady transition throughout the current industry adjustment.

As at 30 June 2020, the Group owned a total of 113 automobile dealing stores and its portfolio of automobile brands included 10 luxury and ultra-luxury brands, namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Infiniti, Cadillac, Alfa Romeo, Porsche, Rolls Royce and Maserati. Specifically, such stores included 91 luxury and ultra-luxury brand dealing stores, 17 mid-to-high brand dealing stores and 5 independent after-sales services (maintenance and decoration and loss assessment center) stores.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2020, our revenue was RMB14,603.0 million, representing a decline of approximately 15.9% as compared to the same period in 2019. The decrease was primarily due to a decrease of RMB2,285.2 million, or 15.2%, in automobile sales revenue as a result of the pandemic, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2019.

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

Revenue Source	Unaudited For the six months ended 30 June 2020		Unaudited For the six months ended 30 June 2019	
	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile sales	12,760,614	87.4	15,045,781	86.7
After-sales services	1,823,478	12.5	2,293,818	13.2
Finance leasing services	18,858	0.1	21,446	0.1
Total	14,602,950	100.0	17,361,045	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 87.4% of our total revenue for the six months ended 30 June 2020. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 91.0% (for the six months ended 30 June 2019: 89.3%) and 9.0% (for the six months ended 30 June 2019: 10.7%), respectively, of our revenue from the sales of automobiles. The decrease of revenue from the sales of automobiles of RMB2,285.2 million was mainly attributable to the significant drop in customer traffic and sales of new automobile caused by the COVID-19 pandemic in the first quarter, resulting in a decrease in new automobile sales revenue.

# MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from our after-sales services decreased by 20.5% from RMB2,293.8 million for the six months ended 30 June 2019 to RMB1,823.5 million for the same period in 2020. The Group continues to focus on, and is strengthening the management of, its after-sales services. Due to the impact of the pandemic, the number of after-sales services admissions of the Group in the first quarter was significantly impacted, resulting in a decrease in after-sales services revenue. As the pandemic has gradually contained, the market has resumed growth, and its impact has gradually released. The Group has also leveraged a wide range of innovative services and a more refined and managed operations to return to its normal operating standards after the pandemic has contained. The relevant contribution of our after-sales services to our revenue decreased from 13.2% for the six months ended 30 June 2019 to 12.5% for the same period in 2020.

## Cost of sales and services

For the six months ended 30 June 2020, our cost of sales and services decreased by 14.6%, from RMB16,001.7 million for the same period in 2019 to RMB13,666.0 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB12,581.8 million for the six months ended 30 June 2020, representing a decrease of RMB2,167.7 million, or 14.7%, as compared to the same period of 2019. The cost of sales and services attributable to our after-sales services amounted to RMB1,081.4 million for the six months ended 30 June 2020, representing a decrease of RMB170.8 million, or 13.6%, from the same period in 2019.

## Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2020 was RMB937.0 million, representing a decrease of RMB422.3 million, or 31.1%, from the same period in 2019. Gross profit from automobile sales decreased by 39.7% from RMB296.4 million for the six months ended 30 June 2019 to RMB178.8 million for the same period in 2020, of which RMB168.2 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales services decreased by 28.8% from RMB1,041.6 million for the six months ended 30 June 2019 to RMB742.1 million for the same period in 2020. Automobile sales and after-sales services contributed 19.1% and 79.2%, respectively, to the total gross profit for the six months ended 30 June 2020.

Gross profit margin for the six months ended 30 June 2020 was 6.4% as compared to 7.8% of the same period last year, of which the gross profit margin of automobile sales was 1.4%, representing a decrease as compared to 2.0% of the same period last year. The gross profit margin of after-sales services recorded a decrease to 40.7% as compared to 45.4% of the same period last year.

## Other income and net gains

Other income and net gains decreased by 6.0% from RMB486.3 million for the six months ended 30 June 2019 to RMB457.1 million for the same period in 2020, mainly due to no fair value gains on investment properties during the Reporting Period.

## Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2020 decreased by 40.7% from RMB921.5 million in the same period last year to RMB546.4 million.

## Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended 30 June 2020 decreased by 72.5% from RMB315.2 million in the same period last year to RMB86.8 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

As at 30 June 2020, our cash and cash equivalents amounted to RMB1,203.7 million, representing a decrease of 27.6% from RMB1,663.1 million as at 31 December 2019.

Our primary uses of cash were to pay for purchases of new automobiles, spare parts and automobile accessories, to establish new dealership stores and to fund our working capital and normal operating expenses. We financed our liquidity requirements through a combination of short-term bank and other borrowings and cash flows generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of bank and other borrowings, cash flow generated from our operating activities and other funds raised from the capital markets from time to time. For the six months ended 30 June 2020, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB979.2 million (for the six months ended 30 June 2019: generated from RMB165.9 million), RMB14.3 million (for the six months ended 30 June 2019: used in RMB63.4 million), and RMB1,408.4 million (for the six months ended 30 June 2019: generated from RMB133.8 million), respectively.

### Net current assets

As at 30 June 2020, we had net current assets of RMB4,551.7 million, representing an increase of RMB2,303.6 million from RMB2,248.1 million as at 31 December 2019.

### 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 2020, our total capital expenditure was RMB201.9 million (for the six months ended 30 June 2019: RMB289.0 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 RMB3,583.7 million as at 30 June 2020, a 2.3% increase from RMB3,503.6 million as at 31 December 2019, and our average inventory turnover days increased from 41.5 days at 31 December 2019 to 46.7 days for the six months ended 30 June 2020.

### Interest-bearing bank and other borrowings

As at 30 June 2020, the Group's available and unutilised banking facilities amounted to approximately RMB5,730.0 million (as at 31 December 2019: RMB7,189.5 million).

Our interest-bearing bank and other borrowings as at 30 June 2020 were RMB5,636.1 million, representing a decrease of RMB3,992.0 million from RMB9,628.1 million as at 31 December 2019. The decreased was mainly due to the repayment of bank loans by the Group during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Interest rate risk and foreign exchange rate risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our borrowings. Certain of our borrowings were floating rate borrowings that are linked to the benchmark rates of the People's Bank of China, HIBOR and LIBOR. Increases in interest rates could adversely affect our finance costs, profit and our financial condition. We currently use certain derivative financial instruments to control some of our exposure to interest rate risk.

Substantially all of our revenue, costs and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. During the six months ended 30 June 2020, certain of our financial liabilities were denominated in foreign currencies, and considering the fluctuation of foreign currency rate, we also used derivative financial instruments to control some of our exposure to foreign exchange rate risk.

## Gearing ratio

The Group monitors capital by using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade, bills and other payables and accruals less cash and bank balances. Our gearing ratio for the six months ended 30 June 2020 was 59.9% (as at 31 December 2019: 67.5%).

## Human resources

As at 30 June 2020, the Group has approximately 6,737 employees (as at 30 June 2019: 7,191). Total staff costs for the six months ended 30 June 2020, excluding directors' remuneration, were approximately RMB452.3 million (for the six months ended 30 June 2019: RMB543.3 million).

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

## Contingent liabilities

As at 30 June 2020 and 31 December 2019, the Group had no significant contingent liabilities.

## Pledge of the Group's assets

The Group pledged its group assets to secure for bank and other borrowings, bills payable and banking facilities which were used to finance daily business operation. As at 30 June 2020, the pledged group assets amounted to approximately RMB6,242.3 million (as at 31 December 2019: RMB6,263.7 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHANGE IN BOARD COMPOSITION AND CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

For the six months ended 30 June 2020 and as of the date of this interim report, Mr. Qi Junjie resigned as an executive Director on 1 May 2020; Mr. Li Jianping resigned as the chairman of the Board and an executive Director on 28 August 2020. He also ceased to act as an authorized representative of the Company (the “**Authorized Representative**”) under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), a member of nomination committee and remuneration committee of the Company ; at the same day, Mr. Lu Wei was appointed as the chairman of the Board, an executive Director, the Authorized Representative, a member of the nomination committee and the remuneration committee of the Company.

Save as disclosed above, there is no other change in the composition of the Board or change in the director's biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended 30 June 2020 and up to the date of this interim report.

### Changes since 31 December 2019

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 2019.

## FUTURE OUTLOOK AND STRATEGIES

Currently, the economy is in the post-pandemic recovery phase. Three major economic indicators, consumptions, investment and export had all been improved in the second quarter, as well as the residents' income and sentiments, resulting in an overall increase of consumption willingness. As for the automobile market, promoted by the favorable policies, the automobile demands suppressed by the pandemic at the earlier stage have been gradually recovered, hence resulting in the gradual recovery of the automobile market. Market factors including the reopening of automobile showrooms and the sales promotions by manufacturers will be further strengthened in the second half of the year.

As for the future, driven by the various factors such as upgrade of consumption structure and increase of car models covering the segmental markets, the share of luxury automobile market is expected to be further expanded. The Group will adhere to its positioning as the dealer of luxury brand automobiles, develop the sales service industry chain of luxury and ultra-luxury automobile brands, as well as create service standards equipped with the Group's distinguished brand features.

Meanwhile, the Group will also continue to focus on improving its operation efficiency, optimizing its income structure, and responding various uncertainties in the future by relying on its own extensive experience in automobile industry and internal refined management system. At the same time, the Group will also be market-oriented, continue to expand automobile after-sales market and seize the development opportunities in new energy vehicle market, so as to ensure that the Group is able to achieve long-term healthy and stable development objectives and a win-win situation for shareholders, employees, customers and society.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 2020, 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 2020 were as follows:

	Date of grant	Exercise price per share	Exercise period from until		Vesting period (Notes)	Outstanding as at 01/01/2020	Number of shares options				Outstanding as at 30/06/2020
							Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
<b>(i) Directors</b>											
LI Jianping (v)	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	3,600,000	-	-	-	-	3,600,000
WANG Xinming	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	3,600,000	-	-	-	-	3,600,000
LU Ao	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	1,800,000	-	-	-	-	1,800,000
QI Junjie (vi)	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	1,800,000	-	-	-	-	1,800,000
XU Xing	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	1,800,000	-	-	-	-	1,800,000
<b>(ii) Eligible employees</b>											
	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	55,120,000	-	-	1,710,000	-	53,410,000
<b>Total:</b>						67,720,000	-	-	1,710,000	-	66,010,000

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) Mr. Li Jianping resigned as an executive Director with effect from 28 August 2020. For the details, please refer to the announcement of the Company dated 28 August 2020.
- (vi) Mr. Qi Junjie resigned as an executive Director with effect from 1 May 2020. For the details, please refer to the announcement of the Company dated 1 May 2020.

Details of Share Option Scheme and the share options issued under the Share Option Scheme are included in note 15 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 2020, the interests and short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the 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 <sup>(1, 2)</sup>	Approximate percentage in the Company's issued voting shares
LI Jianping <sup>(3)</sup>	Beneficial owner	–	3,600,000(L)	0.13%
WANG Xinming	Beneficial owner	–	3,600,000(L)	0.13%
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.
- (3) Mr. Li Jianping resigned as an executive Director with effect from 28 August 2020. For the details, please refer to the announcement of the Company dated 28 August 2020.

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2020, 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 <sup>(3)</sup>	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) <sup>(1)</sup>	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) <sup>(1)</sup>	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) <sup>(1)</sup>	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) <sup>(1)</sup>	Interest in controlled corporation	1,921,117,571 (L)	67.70%
Baoxin Investment Management Ltd. <sup>(2)</sup>	Beneficial interest	219,379,630 (L)	7.73%
Mr. YANG Aihua <sup>(2)</sup>	Interest in controlled corporation	219,379,630 (L)	7.73%

\* For identification purpose only



# CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2020.

## 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 2019 and up to the date of this interim report and included conditions relating to specific performance of the controlling shareholder of the Company:

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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, during the six months ended 30 June 2020 and up to the date of the publication of the interim report, 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. Mr. Li Jianping, being the chairman of the Company, was responsible for the operation and management of the Board. Following the resignation of Mr. Li Jianping as the chairman and executive Director of the Company on 28 August 2020, Mr. Lu Wei was appointed as the Chairman and executive Director of the Company. No chief executive office has been 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 set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2020.

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 2020 and are of the view that the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 2020 and on or before the date of this interim report.

## SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2020, 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 2020, 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 2020 (six months ended 30 June 2019: Nil).

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
<b>REVENUE</b>	4(a)	<b>14,602,950</b>	17,361,045
Cost of sales and services provided	5(b)	<b>(13,665,961)</b>	(16,001,738)
<b>Gross profit</b>		<b>936,989</b>	1,359,307
Other income and gains, net	4(b)	<b>457,142</b>	486,314
Selling and distribution expenses		<b>(534,357)</b>	(580,433)
Administrative expenses		<b>(313,401)</b>	(343,640)
<b>Profit from operations</b>		<b>546,373</b>	921,548
Finance costs	6	<b>(348,138)</b>	(398,171)
Share of profits and losses of:			
Joint ventures		<b>265</b>	1,325
Associates		<b>2,180</b>	2,966
<b>Profit before tax</b>	5	<b>200,680</b>	527,668
Income tax expense	7	<b>(113,863)</b>	(212,445)
<b>Profit for the period</b>		<b>86,817</b>	315,223
<b>Attributable to:</b>			
Owners of the parent		<b>92,688</b>	316,763
Non-controlling interests		<b>(5,871)</b>	(1,540)
		<b>86,817</b>	315,223
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted			
– For profit for the period (RMB)	9	<b>0.03</b>	0.11

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
<b>Profit for the period</b>	<b>86,817</b>	315,223
<b>Other comprehensive income</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	<b>(35,312)</b>	(30,017)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	<b>9,215</b>	–
Time value component of fair value hedges	<b>32</b>	29,355
Exchange differences on translation of financial statements	<b>(73,557)</b>	(12,820)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<b>(99,622)</b>	(13,482)
<b>Other comprehensive income for the period, net of tax</b>	<b>(99,622)</b>	(13,482)
<b>Total comprehensive income for the period</b>	<b>(12,805)</b>	301,741
<b>Attributable to:</b>		
Owners of the parent	<b>(6,934)</b>	303,281
Non-controlling interests	<b>(5,871)</b>	(1,540)
	<b>(12,805)</b>	301,741

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,509,997</b>	3,460,341
Investment properties		<b>398,144</b>	398,144
Right-of-use assets		<b>1,814,743</b>	1,920,323
Other intangible assets		<b>1,435,798</b>	1,465,459
Prepayments and deposits		<b>89,226</b>	91,632
Finance lease receivables		<b>78,706</b>	110,672
Goodwill		<b>1,222,016</b>	1,222,016
Investments in joint ventures		<b>102,248</b>	101,983
Investments in associates		<b>128,272</b>	126,092
Deferred tax assets		<b>224,327</b>	243,694
Total non-current assets		<b>9,003,477</b>	9,140,356
<b>CURRENT ASSETS</b>			
Inventories	10	<b>3,583,708</b>	3,503,624
Trade receivables	11	<b>464,828</b>	613,544
Finance lease receivables		<b>171,947</b>	208,701
Prepayments, other receivables and other assets		<b>9,528,794</b>	10,098,416
Amounts due from related parties	18(c)	<b>46,776</b>	26,474
Derivative financial instruments		–	26,127
Pledged deposits		<b>2,935,128</b>	3,447,803
Cash in transit		<b>65,206</b>	49,669
Cash and cash equivalents		<b>1,203,707</b>	1,663,106
Total current assets		<b>18,000,094</b>	19,637,464

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	5,085,173	7,688,337
Trade and bills payables	13	5,875,254	6,586,920
Other payables and accruals		1,146,970	1,366,849
Lease liabilities		149,471	226,303
Amounts due to related parties	18(c)	602,286	888,947
Income tax payable		589,194	631,963
Total current liabilities		13,448,348	17,389,319
NET CURRENT ASSETS		4,551,746	2,248,145
TOTAL ASSETS LESS CURRENT LIABILITIES		13,555,223	11,388,501
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	550,951	1,939,752
Derivative financial instruments		54,649	27,342
Other payables		11,690	13,704
Lease liabilities		1,235,453	1,209,947
Deferred tax liabilities		489,331	500,577
Amounts due to a related party	18(c)	3,520,000	–
Total non-current liabilities		5,862,074	3,691,322
Net assets		7,693,149	7,697,179
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	14	23,277	23,277
Reserves		7,648,148	7,646,307
		7,671,425	7,669,584
Non-controlling interests		21,724	27,595
Total equity		7,693,149	7,697,179

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Statutory reserve* RMB'000	Meqr 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
<b>At 1 January 2019</b>	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
Add: Business combination involving entities under common control	-	-	-	-	20,000	-	-	(12,201)	7,799	-	7,799
<b>At 1 January 2019 (audited)</b>	23,275	2,372,411	76,998	708,731	(6,982)	(11,363)	(555,445)	4,464,120	7,071,745	35,040	7,106,785
Profit for the period	-	-	-	-	-	-	-	316,763	316,763	(1,540)	315,223
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)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(19,278)	(12,820)	335,379	303,281	(1,540)	301,741
Issue of shares	2	-	571	-	-	-	-	-	573	-	573
Equity-settled share-based transactions	-	-	21,490	-	-	-	-	-	21,490	-	21,490
<b>At 30 June 2019 (unaudited)</b>	23,277	2,372,411	99,059	708,731	(6,982)	(30,641)	(568,265)	4,799,499	7,397,089	33,500	7,430,589
<b>At 1 January 2020 (audited)</b>	<b>23,277</b>	<b>2,372,982</b>	<b>100,296</b>	<b>1,299,229</b>	<b>(18,532)</b>	<b>(2,185)</b>	<b>(634,246)</b>	<b>4,528,763</b>	<b>7,669,584</b>	<b>27,595</b>	<b>7,697,179</b>
Profit for the period	-	-	-	-	-	-	-	92,688	92,688	(5,871)	86,817
Cash flow hedges	-	-	-	-	-	(26,097)	-	-	(26,097)	-	(26,097)
Time value component of fair value hedges	-	-	-	-	-	32	-	-	32	-	32
Exchange differences on related to foreign operations	-	-	-	-	-	-	(73,557)	-	(73,557)	-	(73,557)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	(26,065)	(73,557)	92,688	(6,934)	(5,871)	(12,805)
Equity-settled share-based transactions	-	-	8,775	-	-	-	-	-	8,775	-	8,775
<b>At 30 June 2020 (unaudited)</b>	<b>23,277</b>	<b>2,372,982</b>	<b>109,071</b>	<b>1,299,229</b>	<b>(18,532)</b>	<b>(28,250)</b>	<b>(707,803)</b>	<b>4,621,451</b>	<b>7,671,425</b>	<b>21,724</b>	<b>7,693,149</b>

\* These reserve accounts comprise the consolidated reserves of RMB7,648,148,000 (30 June 2019: RMB7,373,812,000) in the consolidated statement of financial position.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
<b>Operating activities</b>			
Profit before tax		<b>200,680</b>	527,668
Adjustments for:			
Share of profit of joint ventures		<b>(265)</b>	(1,325)
Share of profits of associates		<b>(2,180)</b>	(2,966)
Depreciation of property, plant and equipment	5(c)	<b>139,398</b>	141,936
Depreciation of right-of-use assets	5(c)	<b>109,864</b>	104,806
Amortisation of other intangible assets	5(c)	<b>30,940</b>	30,865
Net loss on disposal of subsidiaries	4(b)	<b>1,387</b>	–
Fair value losses, net:			
Intrinsic value of hedging instruments		<b>21,286</b>	6,259
Non-hedging instruments	4(b)	–	2,171
Fair value gains on investment properties	4(b)	–	(25,002)
Reversal of write-down of inventories to net realisable value	5(c)	<b>(727)</b>	(1,726)
Provision for impairment of trade receivables, finance lease receivables, prepayment, other receivables and other assets	5(c)	<b>11,226</b>	1,236
Bank interest income	4(b)	<b>(9,131)</b>	(18,839)
(Gain)/loss on disposal of items of property, plant and equipment	4(b)	<b>(747)</b>	260
Gain on disposal of items of other intangible assets	4(b)	<b>(692)</b>	–
Finance costs	6	<b>348,138</b>	398,171
Equity-settle share option expense	5(a)	<b>8,775</b>	21,490
		<b>857,952</b>	1,185,004
Decrease in pledged deposits		<b>512,675</b>	2,298,445
Increase in cash in transit		<b>(15,537)</b>	(148,326)
Decrease in trade receivables		<b>144,375</b>	28,747
Decrease/(increase) in prepayments, deposits and other receivables		<b>535,733</b>	(1,438,605)
(Increase)/decrease in inventories		<b>(79,357)</b>	673,827
Decrease in trade and bills payables		<b>(711,666)</b>	(3,601,154)
(Decrease)/increase in other payables and accruals		<b>(198,638)</b>	1,298,480
Decrease/(increase) in finance lease receivables		<b>63,763</b>	(13,320)
Increase in amounts due to related parties-trade related		<b>27,648</b>	4,159
(Increase)/decrease in amounts due from related parties-trade related		<b>(20,302)</b>	6,498
<b>Cash generated from operations</b>		<b>1,116,646</b>	293,755
Income tax paid		<b>(137,405)</b>	(127,834)
<b>Net cash generated from operating activities</b>		<b>979,241</b>	165,921

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	<b>(192,386)</b>	(278,453)
Proceeds from disposal of items of property, plant and equipment	<b>165,666</b>	205,683
Proceeds from disposal of items of other intangible assets	<b>737</b>	–
Purchase of intangible assets	<b>(1,235)</b>	(2,863)
Acquisition of subsidiaries	<b>–</b>	(19,553)
Disposal of subsidiaries	<b>(756)</b>	–
Settlement of derivative financial instruments	<b>4,873</b>	5,884
Interest received	<b>8,836</b>	25,881
<b>Net cash used in investing activities</b>	<b>(14,265)</b>	(63,421)
<b>Financing activities</b>		
Proceeds from interest-bearing bank and other borrowings	<b>3,379,597</b>	11,268,275
Repayment of interest-bearing bank and other borrowings	<b>(7,573,629)</b>	(10,248,547)
Principal portion of lease payments	<b>(122,764)</b>	(178,045)
Interest paid	<b>(297,311)</b>	(308,444)
Repayment of borrowings from a related party	<b>(640,000)</b>	(400,000)
Borrowings from related parties	<b>3,845,691</b>	–
Received capital injection from a non-controlling shareholder	<b>–</b>	573
<b>Net cash (used in)/generated from financing activities</b>	<b>(1,408,416)</b>	133,812
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(443,440)</b>	236,312
Cash and cash equivalents at the beginning of each period	<b>1,663,106</b>	2,562,269
Effect of foreign exchange rate changes, net	<b>(15,959)</b>	(19,541)
<b>Cash and cash equivalents at the end of each period</b>	<b>1,203,707</b>	2,779,040

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange since 14 December 2011. On 21 June 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 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The revised standards have had no significant financial effect on the Group’s interim condensed consolidated financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 3. SEGMENT INFORMATION

The Group is principally engaged in the sale and service of motor vehicles. For management purposes, the Group operates in single business unit based on its products, and has one reportable segment which includes the sales of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

### Information about geographical area

Since nearly all of the Group's revenue was generated from the sale and service of motor vehicles in Mainland China and nearly all of the Group's non-current assets other than deferred tax assets were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

### Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six months ended 30 June 2020, major customers information as required by HKFRS 8 *Operating Segments* is not presented.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 4. REVENUE, OTHER INCOME AND GAINS, NET

### (a) Revenue

An analysis of revenue is as follows:

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
<b>Revenue from contracts with customers</b>		
Sale of motor vehicles	<b>12,760,614</b>	15,045,781
After-sales services	<b>1,823,478</b>	2,293,818
<b>Revenue from other sources</b>		
Finance leasing services	<b>18,858</b>	21,446
	<b>14,602,950</b>	17,361,045

### Revenue from contracts with customers

#### Disaggregated revenue information

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
<b>Type of goods or service</b>		
Sale of motor vehicles	<b>12,760,614</b>	15,045,781
After-sales services	<b>1,823,478</b>	2,293,818
<b>Total</b>	<b>14,584,092</b>	17,339,599
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>12,760,614</b>	15,045,781
Service rendered at a point in time	<b>1,823,478</b>	2,293,818
<b>Total</b>	<b>14,584,092</b>	17,339,599

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

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

### (b) Other income and gains, net

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
Commission income	<b>422,259</b>	382,096
Bank interest income	<b>9,131</b>	18,839
Advertisement support received from motor vehicle manufacturers	<b>10,072</b>	6,818
Rental income*	<b>23,436</b>	24,348
Government grants**	<b>46,022</b>	39,233
Gain/(loss) on disposal of items of property, plant and equipment	<b>747</b>	(260)
Gain on disposal of items of other intangible assets	<b>692</b>	–
Net fair value loss on derivative instruments	–	(2,171)
Net loss on disposal of subsidiaries	<b>(1,387)</b>	–
Fair value gains on investment properties	–	25,002
Foreign exchange difference, net	<b>(51,402)</b>	(7,475)
Others	<b>(2,428)</b>	(116)
	<b>457,142</b>	486,314

\* Rental income from investment property operating leases does not include variable lease payments that do not depend on an index or a rate.

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

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 5. PROFIT BEFORE TAX

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

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
<b>(a) Employee benefit expense (including Directors' and chief executive's remuneration)</b>		
Wages and salaries	<b>381,386</b>	416,935
Other welfare	<b>66,396</b>	110,446
Equity-settled share option expense	<b>8,775</b>	21,490
	<b>456,557</b>	548,871
<b>(b) Cost of sales and services provided</b>		
Cost of sales of motor vehicles	<b>12,581,768</b>	14,749,431
Others	<b>1,084,193</b>	1,252,307
	<b>13,665,961</b>	16,001,738
<b>(c) Other items</b>		
Depreciation of property, plant and equipment*	<b>139,398</b>	141,936
Amortisation of other intangible assets*	<b>30,940</b>	30,865
Advertisement and business promotion expenses	<b>90,533</b>	116,761
Auditor's remuneration	<b>3,050</b>	3,050
Bank charges	<b>11,641</b>	15,803
Foreign exchange difference, net	<b>51,402</b>	7,475
Depreciation of right-of-use assets*	<b>109,864</b>	104,806
Lease expenses*	<b>9,092</b>	16,831
Logistics and gasoline expenses	<b>34,468</b>	31,499
Office expenses	<b>8,629</b>	9,166
Impairment of financial assets:		
Impairment of trade receivables	<b>216</b>	600
Impairment of financial assets included in prepayments, other receivables and other assets	<b>6,054</b>	614
Impairment of financial lease receivables	<b>4,956</b>	22
Reversal of write-down of inventories to net realisable value**	<b>(727)</b>	(1,726)
Net fair value loss on derivative instruments	-	2,171
Fair value gains on investment properties	-	(25,002)
Net loss on disposal of subsidiaries	<b>1,387</b>	-
(Gain)/loss on disposal of items of property, plant and equipment	<b>(747)</b>	260
Gain on disposal of items of other intangible assets	<b>(692)</b>	-
Bank interest income	<b>(9,131)</b>	(18,839)

\* The amount of these depreciation of property, plant and equipment, amortisation of other intangible assets, depreciation of right-of-use assets and lease expenses are included in "cost of sales and services provided", "selling and distribution expenses" and "administrative expenses" in the condensed consolidated interim statement of profit or loss.

\*\* The amount of these reversal of write-down of inventories to net realisable value are included in "cost of sales and services provided" in the condensed consolidated interim statement of profit or loss.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 6. FINANCE COSTS

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
Interest on bank and other borrowings (including amounts due to related parties)	<b>305,278</b>	350,963
Incl: loan arrangement fee	<b>30,369</b>	58,465
Interest on lease liabilities	<b>42,860</b>	47,208
Total interest expense on financial liabilities not at fair value through profit or loss	<b>348,138</b>	398,171

## 7. INCOME TAX

	<b>Unaudited For the six months ended 30 June 2020 RMB'000</b>	Unaudited For the six months ended 30 June 2019 RMB'000
Current tax:		
Mainland China corporate income tax	<b>105,742</b>	264,041
Deferred tax	<b>8,121</b>	(51,596)
Total tax charge for the period	<b>113,863</b>	212,445

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

The subsidiaries incorporated in Hong Kong are subject to an income tax at the rate of 16.5% (six months ended 30 June 2019: 16.5%) during the period.

According to the Corporate Income Tax Law (“CIT Law”) of the People’s Republic of China, the uniform income tax rate is 25% (six months ended 30 June 2019: 25%), except for a few subsidiaries in Xinjiang Uygur Autonomous Region that are entitled to reduced rates prevailing in the area.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,837,511,429 (six months ended 30 June 2019: 2,837,323,120) 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.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019.

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

	<b>Unaudited For the six months ended 30 June 2020</b>	Unaudited For the six months ended 30 June 2019
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent (RMB'000)	<b>92,688</b>	316,763
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>2,837,511,429</b>	2,837,323,120
<b>Earnings per share</b>		
Basic and diluted (RMB)	<b>0.03</b>	0.11

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 10. INVENTORIES

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Motor vehicles	<b>3,272,450</b>	3,260,531
Spare parts and accessories	<b>330,120</b>	262,682
	<b>3,602,570</b>	3,523,213
Provision for inventories	<b>(18,862)</b>	(19,589)
	<b>3,583,708</b>	3,503,624

## 11. TRADE RECEIVABLES

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Trade receivables	<b>469,041</b>	617,686
Impairment	<b>(4,213)</b>	(4,142)
	<b>464,828</b>	613,544

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

An ageing analysis of the trade receivables as at end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Within 3 months	<b>400,418</b>	544,161
More than 3 months but less than 1 year	<b>43,639</b>	48,174
Over 1 year	<b>20,771</b>	21,209
	<b>464,828</b>	613,544

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2020		
	Effective interest rate (%)	Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	3.8-6.0	2020-2021	2,031,857
– secured	3.5-8.0	2020-2021	152,294
– secured	6.6	On demand	29,000
– unsecured	4.2-7.2	2020-2021	268,413
– guaranteed***	Libor*+3.08	On demand	1,326,137
– secured and guaranteed	3.7-5.4	2020	216,311
			4,024,012
<b>Other borrowings</b>			
– guaranteed	8.5	2020	38,028
– secured	7.4-8.5	2020-2021	160,251
– unsecured	6.3-8.8	2020	141,804
– secured and guaranteed	4.2-11.0	2020	721,078
			1,061,161
			5,085,173
<b>Non-current</b>			
<b>Bank borrowings</b>			
– secured	8.0	2021-2023	16,652
– guaranteed	4.9	2022-2025	513,992
– secured and guaranteed	5.4	2021-2024	16,441
			547,085
<b>Other borrowings</b>			
– secured	7.4	2021	3,866
			550,951
			5,636,124

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	Effective interest rate (%)	Audited As at 31 December 2019 Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.4-7.2	2020	1,799,985
– secured	4.4-8.0	2020	72,440
– secured	6.6	On demand	29,000
– unsecured	4.4-5.0	2020	384,898
– guaranteed	Libor*+3.2	2020	3,769,643
– unsecured	Hibor**+2.0	2020	289,785
– secured and guaranteed	4.4-8.5	2020	231,741
			6,577,492
<b>Other borrowings</b>			
– guaranteed	7.5-8.0	2020	137,220
– secured	7.9-8.5	2020	111,075
– unsecured	8.5-9.4	2020	33,490
– secured and guaranteed	4.2-11.0	2020	829,060
			1,110,845
			7,688,337
<b>Non-current</b>			
<b>Bank borrowings</b>			
– secured	8.0	2021-2022	10,690
– guaranteed	4.9	2021-2025	609,434
– guaranteed	Libor*+3.08	2021-2022	1,300,542
– secured and guaranteed	5.4	2021-2024	19,086
			1,939,752
			9,628,089

\* London Inter-Bank Offered Rate

\*\* Hong Kong Inter-Bank Offered Rate

\*\*\* As at 30 June 2020, non-current bank borrowings of approximately RMB1,326,137,000 required to be repaid on demand pursuant to certain clauses in the loan agreement have been classified as current liabilities accordingly. On 20 July 2020, the Group has reached an agreement with the financial institutions of these bank loans that the repayment schedule remained same as the original maturity dates.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 13. TRADE AND BILLS PAYABLES

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Trade payables	<b>484,446</b>	348,363
Bills payable	<b>5,390,808</b>	6,238,557
Trade and bill payables	<b>5,875,254</b>	6,586,920

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

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Within 3 months	<b>5,198,924</b>	6,258,045
3 to 6 months	<b>541,131</b>	294,285
6 to 12 months	<b>106,292</b>	7,832
Over 12 months	<b>28,907</b>	26,758
	<b>5,875,254</b>	6,586,920

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

## 14. SHARE CAPITAL

	<b>Unaudited 30 June 2020</b>	Audited 31 December 2019
<b>Shares</b>		
Authorised:		
Ordinary shares	<b>5,000,000,000 shares of HK\$0.01 each</b>	5,000,000,000 shares of HK\$0.01 each
Issued and fully paid:		
Ordinary shares	<b>2,837,511,429 shares of HK\$0.01 each</b>	2,837,511,429 shares of HK\$0.01 each
Equivalent to RMB'000	<b>23,277</b>	23,277

Details of the Company's share option scheme and the share options issued under the scheme are included in note 15 of the financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 15. 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 28 March 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.

	<b>2020</b>	
	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options</b>
At January 1	<b>3.256</b>	<b>67,720,000</b>
Forfeited during the period	<b>3.256</b>	<b>(1,710,000)</b>
At June 30	<b>3.256</b>	<b>66,010,000</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 15. SHARE OPTION SCHEME (continued)

No share options were exercised during the period.

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

The total fair value of the Granted Option was RMB101,741,000. During the six months ended 30 June 2020, the Group recognised a share option expense of RMB8,775,000 (six months ended 30 June 2019: RMB21,490,000).

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 30 June 2020, the Company had 66,010,000 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 66,010,000 additional ordinary shares of the Company and additional share capital of HK\$660,100 and share premium of HK\$214,268,460 (before issue expenses).

At the date of approval of these financial statements, the Company had 66,010,000 share options outstanding under the Scheme, which represented approximately 2.33% of the Company's shares in issue as at that date.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 16. DISPOSAL OF SUBSIDIARIES

On 30 June 2020, the Company disposed 100% equity interest of Sichuan Ganghong Xinyue Automobile Services Co., Ltd., Shanghai Taipingyang Shenlong Automobile sales & Services Co., Ltd., and Beijing Chendebao Used Motor Vehicles Agent Co., Ltd. to Grand International Automobile Trading Co., Ltd. at a total consideration of RMB9,730,000.

Details of the net assets disposed of are as follows:

	<b>Unaudited 30 June 2020</b>
	RMB'000
<b>Net assets disposed of:</b>	
Cash and cash equivalents	756
Trade receivables	4,125
Prepayments, deposits and other receivables	16,950
Inc: amount due from related party	9,749
Property, plant and equipment	1,136
Other payables and accruals	(11,850)
Inc: amount due to related party	(6,919)
Net assets disposed of	11,117
<b>Net loss on disposal of subsidiaries</b>	<b>(1,387)</b>
Consideration to be satisfied by cash	9,730

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

	RMB'000
Cash and cash equivalents disposed of	(756)
<b>Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries</b>	<b>(756)</b>

## 17. COMMITMENTS

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

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Contracted, but not provided for land use rights and buildings	<b>4,680</b>	2,214
Authorised, but not contracted for land use rights and buildings	<b>4,309</b>	25,189
	<b>8,989</b>	27,403



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 18. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Transactions with related parties

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

	Notes	<b>Unaudited 30 June 2020 RMB'000</b>	Unaudited 30 June 2019 RMB'000
Purchase of goods:	(i)		
Anhui Audi Auto Co., Ltd		<b>328</b>	–
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
		<b>328</b>	225

	Notes	<b>Unaudited 30 June 2020 RMB'000</b>	Unaudited 30 June 2019 RMB'000
Sales of goods:	(ii)		
Bayan Nur Dongxin Taida Auto Sales & Service Co., Ltd.		<b>108</b>	–
Hanzhong Yinghe Auto Sales & Service Co., Ltd.		<b>33</b>	–
Shaanxi Jiayi Automobile Trading Co., Ltd.		<b>12</b>	–
Shaanxi Jia Hao Jin Ding Auto Services Co., Ltd.		–	20
Other subsidiaries controlled by CGA		<b>17</b>	7
		<b>170</b>	27

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (a) Transactions with related parties (continued)

	Notes	Unaudited 30 June 2020 RMB'000	Unaudited 30 June 2019 RMB'000
Rental income:	(iii)		
Shanghai Guanghui Detai Insurance Brokerage Co., Ltd.		54	107
CGA		29	29
		83	136
Lease expenses:	(iv)		
Xinjiang Tian Hui Auto Service Co., Ltd.		1,153	1,150
Xinjiang Kashgar Tian Hui Auto Service Co., Ltd.		619	–
Chengdu Aohai Tech Development Co., Ltd.		60	–
		1,832	1,150
Cost from financial leasing services :			
All Trust Leasing		–	10,977
Interest expenses:	(v)		
Baoxin Auto Finance I Limited		16,608	–
CGA Limited		955	552
Dalian Baoxin Hui Yu Auto Investment management co., Ltd.		–	1,394
		17,563	1,946
Borrowings from related parties:	(v)		
Baoxin Auto Finance I Limited		3,520,000	–
CGA Limited		325,691	–
		3,845,691	–
Repayment of borrowings from a related party:			
CGA Limited		640,000	400,000
Disposal of subsidiaries:	(vi)		
Grand International Automobile Trading Co., Ltd.		9,730	–

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (a) Transactions with related parties (continued)

- (i) The purchases of goods were made according to the published prices and conditions offered by related parties to their major customers.
- (ii) The sales of goods were made according to the published prices and conditions offered to the major customers of the Group.
- (iii) The rental income arose from rental of the Group's office building.
- (iv) The lease expenses were charged by Xinjiang Tian Hui Auto Service Co., Ltd., Xinjiang Kashgar Tian Hui Auto Service Co., Ltd. and Chengdu Aohai Tech Development Co.,Ltd. according to the market price.
- (v) The Company borrowed RMB3,520,000,000 from Baoxin Auto Finance I Limited on 18 May 2020. The loan will be due in three years and the interest rate was in line with the benchmark interest rate prescribed by the People's Bank of China.

The Company borrowed a total of RMB325,691,000 in total from CGA Limited during the six months ended 30 June 2020. The loan will be due in one year and the interest rate was in line with the benchmark interest rate prescribed by the People's Bank of China.

- (vi) For details of the disposal of subsidiaries please refer to note 16.

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

### (b) Other transaction with related parties:

The company's ultimate holding company has guaranteed certain bank borrowings made to the Group of up to RMB4,842,185,000 as at 30 June 2020 (31 December 2019: RMB7,040,000,000).

The Group's certain bank borrowings amounting to RMB42,352,000 (31 December 2019: nil) were secured by the property, plant and equipment which was held by related parties, amounting to RMB 227,887,000 (31 December 2019: nil).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (c) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2020:

	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Amounts due from related parties:		
Wuxi Kailong Real Estate Co., Ltd.	<b>10,800</b>	10,287
Grand International Automobile Trading Co., Ltd.	<b>9,730</b>	–
Xinjiang Grand Real Estate Development Co., Ltd.	<b>8,811</b>	8,815
Shanghai Taipingyang Shenlong Automobile Sales & Services Co., Ltd.	<b>6,795</b>	–
Shanghai Rongzhi Catering Management Co., Ltd.	<b>5,095</b>	–
Xinjiang Guanghui Coal Clean Refining & Chemical Co., Ltd.	<b>4,365</b>	4,365
All Trust Leasing	<b>928</b>	2,708
Beijing Chendebao Used Motor Vehicles Agent Co., Ltd.	<b>95</b>	–
Maanshan Aika Shangyun Information & Technology Co., Ltd.	<b>81</b>	246
Shanghai Guanghui Detai Insurance Agency Co., Ltd.	<b>43</b>	–
Sichuan Ganghong Xinyue Automobile Services Co., Ltd.	<b>29</b>	–
All Trust Leasing Chengdu Branch	<b>4</b>	43
Sainade (Beijing) Information & Technology Co., Ltd.	<b>–</b>	10
	<b>46,776</b>	26,474
	<b>Unaudited 30 June 2020 RMB'000</b>	Audited 31 December 2019 RMB'000
Amounts due to related parties-current:		
CGA Limited	<b>562,400</b>	875,782
Baoxin Auto Finance I Limited	<b>20,302</b>	3,385
Shanghai Taipingyang Shenlong Automobile Sales & Services Co., Ltd.	<b>7,543</b>	–
Hebei Guanghui Investment co., Ltd.	<b>6,600</b>	6,600
Shandong Guanghui Auto Service Co., Ltd.	<b>3,180</b>	3,180
Beijing Chendebao Used Motor Vehicles Agent Co., Ltd.	<b>1,582</b>	–
Sichuan Ganghong Xinyue Automobile Services Co., Ltd.	<b>624</b>	–
Shanghai Guanghui Detai Insurance Agency Co., Ltd.	<b>45</b>	–
All Trust Leasing	<b>10</b>	–
	<b>602,286</b>	888,947
Amounts due to a related party-non current:		
Baoxin Auto Finance I Limited	<b>3,520,000</b>	–

As at 30 June 2020, except for borrowings from Baoxin Auto Finance I Limited and CGA Limited, balances with related parties were unsecured and non-interest bearing, and had fixed repayment terms.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<b>Unaudited 30 June 2020 RMB'000</b>	Unaudited 30 June 2019 RMB'000
Short term employee benefits	<b>2,151</b>	2,345
Equity-settled share option expense	<b>2,109</b>	3,240
Total compensation paid to key management personnel	<b>4,260</b>	5,585

## 19. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets were categorized into two 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, cash and cash equivalents and financial assets included in prepayments and deposits.

The carrying amount of financial assets at fair value through profit or loss – derivative financial instruments and fair value at amortised cost as at 30 June 2020 were nil and approximately RMB12,981.7 million respectively (31 December 2019: RMB26.1 million and RMB14,479.6 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, amounts due to related parties, interest-bearing bank and other borrowings, lease liabilities and financial liabilities included in other 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 30 June 2020 were approximately RMB54.7 million and RMB17,283.6 million, respectively (31 December 2019: RMB27.3 million and RMB18,904.8 million, respectively).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

## 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, the current portion of amounts due to related parties, the current portion of interest-bearing 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 finance lease receivables, interest-bearing bank and other borrowings, lease liabilities, amounts due to related parties, financial assets included in prepayments and deposits and financial liabilities included in other payables 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 30 June 2020 was assessed to be insignificant.

### 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 31 December 2019

	Fair value measurement using			Unaudited total RMB'000
	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	
Derivative financial instruments	–	26,127	–	26,127

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2020

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

### Fair value hierarchy (continued)

#### Liabilities measured at fair value:

As at 30 June 2020

	Fair value measurement using			Unaudited total RMB'000
	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	
Derivative financial instruments	–	54,649	–	54,649

As at 31 December 2019

	Fair value measurement using			Unaudited total RMB'000
	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	
Derivative financial instruments	–	27,342	–	27,342

## 21. COMPARATIVE FIGURE

As disclosed in annual report for the year ended 31 December 2019, the Group acquired 100% equity interests in Shanghai Huibaohang Automotive Sales Services Limited (“**Shanghai Huibaohang**”) since 12 September 2019, Shijiazhuang Mingzhibao Automobile Sales Service Company Limited (“**Shijiazhuang Mingzhibao**”) and Xuzhou Mingzhibao Automobile Sales Service Company Limited (“**Xuzhou Mingzhibao**”) since 18 November 2019 from CGA. Since these acquired entities and the Group are subsidiaries of CGA before and after the acquisitions, they were accounted for as business combinations under common control. The comparative information which includes the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows, and notes to the condensed consolidated interim financial statements for the comparative period is re-presented as if Shanghai Huibaohang, Shijiazhuang Mingzhibao, Xuzhou Mingzhibao and the Group had been combined at the beginning of the comparative period.

## 22. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 30 June 2020.



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