



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

2021

Interim Report  
中期報告



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. LU Wei (*Chairman*)  
Mr. WANG Xinming (*President*)  
Mr. LU Ao  
Ms. XU Xing

### Independent Non-executive Directors

Ms. LIU Wenji (appointed on 30 June 2021)  
Ms. LIU Yangfang  
Mr. HO Hung Tim Chester (appointed on 30 June 2021)  
Mr. DIAO Jianshen (resigned on 30 June 2021)  
Mr. CHAN Wan Tsun Adrian Alan (resigned on 30 June 2021)

## AUDIT COMMITTEE

Ms. LIU Wenji (*Chairman*) (appointed on 30 June 2021)  
Ms. LIU Yangfang  
Mr. HO Hung Tim Chester (appointed on 30 June 2021)  
Mr. DIAO Jianshen (*Chairman*) (resigned on 30 June 2021)  
Mr. CHAN Wan Tsun Adrian Alan (resigned on 30 June 2021)

## REMUNERATION COMMITTEE

Ms. LIU Wenji (*Chairman*) (appointed on 30 June 2021)  
Mr. LU Wei  
Ms. LIU Yangfang  
Mr. DIAO Jianshen (*Chairman*) (resigned on 30 June 2021)

## NOMINATION COMMITTEE

Ms. LIU Yangfang (*Chairman*)  
Mr. LU Wei  
Ms. LIU Wenji (appointed on 30 June 2021)  
Mr. DIAO Jianshen (resigned on 30 June 2021)

## JOINT COMPANY SECRETARIES

Ms. XU Xing  
Ms. WONG Pui Yin Peony

## AUTHORISED REPRESENTATIVES

Mr. LU Wei  
Ms. XU Xing

## STOCK CODE

1293

## WEBSITE

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

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

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## REGISTERED OFFICE

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

## PRINCIPAL SHARE REGISTRAR

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

## HONG KONG BRANCH SHARE REGISTRAR

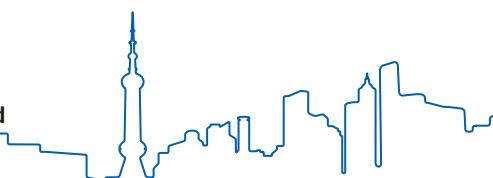
Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong

## LEGAL ADVISER TO HONG KONG LAW

JINGTIAN & GONGCHENG LLP  
Suite 3203-3207, 32/F,  
Edinburgh Tower, The Landmark,  
15 Queen's Road Central,  
Hong Kong

## AUDITORS

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





# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) and the management of Grand Baoxin Auto Group Limited (the “**Company**” 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 2021 (the “**Reporting Period**”).

In the first half of 2021, the automobile consumer market in China continued its favorable trend from the second half of last year. Among which, the sales of luxury cars were still stronger than the overall market performance. The shortage of chips this year has affected the production plans of various brands to varying degrees, but the impact on major luxury brands is relatively small. The supply and sales of new automobiles of luxury brands maintained good momentum this year. According to the statistics of China Passenger Car Association (“**CPCA**”) (中國乘用車市場信息聯席會), in the first half of 2021, the overall retail sales volume of passenger vehicles in China were 9,942,000 units, representing a year-on-year growth of 28.9%, and among which, retail sales of luxury cars accounted for 1,981,000 units, representing a year-on-year growth of 39.5%. It is expected that the mainstream luxury car brands will continue to maintain a growing trend throughout the year of 2021.

Meanwhile, we will continue to promote the transformation of digitalization together with China Grand Automotive Services Group Co., Ltd. (“**CGA**”), the controlling shareholder of the Company. We will achieve the transformation from informatization to digitization through digital construction, and leverage the synergy effect of digital tools and our business to empower our business, continuously improve the efficiency of our operation and management to create an interconnected, professional and efficient ecosystem for our digital automobile service.

The Group will adhere to its corporate philosophy of “Service First”, and improve its core competitiveness through methods such as refined management and continuous optimization of business structure. At the same time, we will also actively perform our corporate social responsibilities and enhance the Company’s brand profile. Looking forward to the future, we also firmly believe that, in the face of China’s vast market potential, we will be able to leverage our higher-quality operation management and high-quality shareholder returns to establish new layouts, construct new business formats, and build long-term sustainable growth capabilities.

Last but not least, on behalf of the Group, I would like to extend my heartfelt gratitude to all our shareholders, business partners and customers from different markets for their enduring trust and support and to express our sincere gratitude to all our front line employees for their diligence and dedication.

Yours sincerely,

**LU Wei**

*Chairman*

Hong Kong, 23 August 2021





# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

In the first half of 2021, China's economy was steadily improving and recovering, demonstrating the strong resilience and vigorous vitality of economic development from the recovery of the impact of COVID-19. With the acceleration of the rate of vaccination in the second quarter of 2021, the domestic epidemic prevention and control has entered into a new stable stage, and economic activities have gradually resumed back to normal. According to statistics from the National Bureau of Statistics, China's GDP in the first half of 2021 was RMB53,216.7 billion, representing a year-on-year growth of 12.7%, a decrease of 5.6% from the first quarter, and an average growth of 5.3% over the last two years, representing an acceleration rate of 0.3%.

Although the overseas epidemic has not improved, coupled with the global automotive chip shortage crisis, restricting the rapid development of the entire automobile industry to a certain extent, the continued recovery of China's macro economy and the relatively sufficient inventory of dealers and secondary market have enabled the rapid recovery of China's automobile market. According to statistics from the China Association of Automobile Manufacturers, from January to June of 2021, the production and sales volume of automobile in China were 12,570,000 units and 12,890,000 units, respectively, representing a year-on-year growth of 24.2% and 25.6%. The production and sales of passenger vehicles were 9,840,000 units and 10,007,000 units, respectively, representing a year-on-year growth of 26.8% and 27.0%.

Correspondingly, although affected by the shortage of chips in the first half of the year and certain brands reduced the production of high-end car models, affecting their supply and demand, the luxury car sector still delivered a satisfactory performance. The impact of consumption upgrades has driven the sales of luxury cars to continue to rise. While luxury cars continue to maintain its characteristics of stable structure, it also reflects the demand for high-end trade-in from the behaviour of consumption upgrades is still strong. In the first half of the year, the sales volume of higher-priced models increased, and the retail discount rate of dealers decreased, which led to a further growth in the revenue of luxury car dealers and the profits of new automobiles.

In the first half of 2021, sales of the main models of the BMW (including MINI) continued to thrive after the replacement or remodeling. It ranked first among all luxury brands, which set a record high for the same period over the years. A total of 467,000 vehicles were delivered in the Chinese market, representing a year-on-year growth of 41.9%. The cumulative sales of Benz in the first half of the year was 441,600 units, representing a year-on-year growth of 27.6%. The cumulative sales of Audi reached 418,200 units in the first half of the year, representing a year-on-year growth of 38.6%, while the cumulative sales of Jaguar & Land Rover in China also continued to climb, with a sales volume of 54,700 units in the first half of the year, representing a year-on-year growth of 52%. As of June of this year, it has achieved a year-on-year growth for 10 consecutive months.

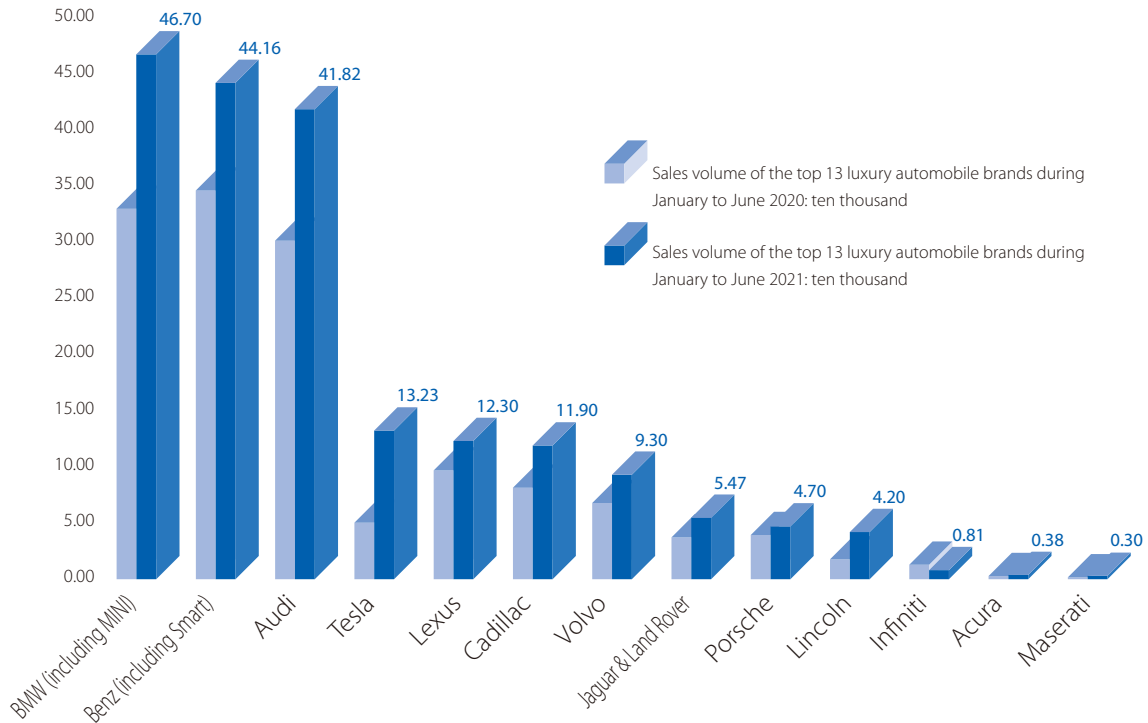
In addition, in order to further promote the sound development of the domestic automobile market, the Equipment Industry Department I of the Ministry of Industry and Information Technology organised the preparation of the Guidance on the Administration of Intelligent Connected Vehicles Manufacturers and Products Access (For Trial Implementation) (智能網聯汽車生產企業及產品准入管理指南(試行)) in April 2021 to advance the healthy and orderly development of the intelligent and Internet-connected automobile industry. According to the data released by the China Association of Automobile Manufacturers, in the first half of 2021, the production and sales of new energy vehicles were 1.215 million and 1.206 million, multiplying by two year-on-year, with accumulative sales of new energy vehicles maintained at the same level as of that in 2019.





# MANAGEMENT DISCUSSION AND ANALYSIS

China's sales volume of the top 13 luxury automobile brands in the first half of 2021



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

## BUSINESS OVERVIEW

During the period for the six months ended 30 June 2021 (the “**Reporting Period**”), 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 safeguard the healthy, steady and sustainable growth of the Company in the long run.

For the six months ended 30 June 2021, our revenue amounted to approximately RMB19,891.0 million, a year-on-year increase of 36.2%; gross profit amounted to RMB1,231.1 million, an increase of 31.4%; profit attributable to owners of the parent amounted to RMB393.1 million, an increase of 324.1%, and earnings per share recorded RMB0.14.



# MANAGEMENT DISCUSSION AND ANALYSIS

## New automobile sales

For the six months ended 30 June 2021, the Group sold a total of 55,139 units of new automobiles, representing an increase of 30.2% compared to the corresponding period in 2020, and the Group achieved new automobile sales revenue of RMB17,590.0 million, representing an increase of 37.8% compared to the corresponding period in 2020. The sales volume of luxury and ultra-luxury cars was 45,989 units, representing an increase of 12,756 units compared to the corresponding period in 2020, and such sales revenue reached RMB16,358.7 million, representing an increase of 40.8% compared to the corresponding period in 2020 and accounted for 93.0% of new automobile sales revenue. In the first half of 2021, the overall gross profit margin of new automobiles of the Group was 1.7%, representing an increase of 0.3 percentage point when compared to the corresponding period in 2020.

During the Reporting Period, as the impact of the COVID-19 pandemic was gradually contained, and driven by favorable policies, China's passenger car sales market had gradually recovered to normal levels, especially with the behaviour of consumption upgrade and the demand for automobiles which has been suppressed by the pandemic had finally been released, the luxury car brand consumer market had shown a strong growth trend and the sales scale of the Group had also recorded a recovery growth. During the Reporting Period, the Group continued to strengthen its efficient management and control of key luxury car brands such as BMW and Jaguar & Land Rover. Although it was adversely impacted by the shortage of automotive chips and the reduction in the production of high-end models by certain brands, the Group still achieved relatively satisfactory results by continuously strengthening inventory control and adjusting the gross profit margin of new automobiles.

## After-sales services

In the first half of 2021, the revenue of after-sales services was RMB2,283.3 million, representing an increase of 25.2% compared to the corresponding period in 2020, accounting for 11.5% of the total revenue of the Group. The gross profit of aftersales services was RMB919.6 million, and the gross profit margin of after-sales was 40.3%.

The after-sales services business of the Group has been an important force for driving the profit of the Company. During the Reporting Period, the Group continued to strengthen its cost control while increasing its income sources and reducing expenditure, leveraging 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 improve the profitability of its after-sales service business. In addition, the Company always focuses on the needs of customers, and continuously strengthens the organization of business processes and process control. Our "one-stop services" such as appointment, door-to-door pickup, and return after repair enables customers to experience high-quality services from the Company. Meanwhile, we will further strengthen the professional ability training of maintenance technicians, and provide customers with higher quality services by creating a professional maintenance team equipped with rich industry experience.





# 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 enhancing customer stickiness and increasing revenue generated from its derivative businesses. For the six months ended 30 June 2021, the commission income from the Group's automobile derivative businesses was RMB556.9 million, representing an increase of 31.9% compared to the corresponding period in 2020.

During the Reporting Period, the Group recorded a commission income of financial services business of RMB177.1 million, representing an increase of 87.8% compared to RMB94.3 million in the first half of 2020. Meanwhile, the financial penetration rate of the automobile finance market in respect of the new automobile business increased from 62.9% in the first half of 2020 to 71.1% in this Reporting Period. In addition, for the secondhand automobile business, the Group always relies on its own 4S stores to optimize the systems of both online and offline operations, and continuously expands the current customer base by adjusting the brand structure and integrating resources, so as to promote the development of secondhand automobile value-added services and post market business. For the insurance business, during the Reporting Period, as affected by the comprehensive reform for automobile insurance implemented by China Banking and Insurance Regulatory Commission ("**CBIRC**"), the commission income of the Group's insurance business was RMB93.0 million, representing a decrease of 29.8% as compared to that of RMB132.4 million in the first half of 2020, and the commission income from extended warranty business increased by 71.8%.

## 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.

During the Reporting Period, the Group adhered to its strategic policy that emphasized on internal adjustment and adopted a more cautious attitude towards external network expansion. At the same time, the Group remodelled some of its 4S stores, 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. The Group refurbished and improved its existing stores, and managed to reduce capital expenditure of the Company while further raised the efficiency of capital usage.

As at 30 June 2021, the Group owned a total of 111 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.





# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2021, our revenue was RMB19,891.0 million, representing an increase of approximately 36.2% as compared to the same period in 2020. The increase was primarily due to a recovery growth of RMB4,829.3 million or 37.8%, in new automobile sales, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2020.

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

Revenue Source	Unaudited For the six months ended 30 June 2021		Unaudited For the six months ended 30 June 2020	
	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile sales	17,589,962	88.4	12,760,614	87.4
After-sales services	2,283,256	11.5	1,823,478	12.5
Finance leasing services	17,733	0.1	18,858	0.1
Total	19,890,951	100	14,602,950	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 88.4% of our total revenue for the six months ended 30 June 2021. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 93.0% (for the six months ended 30 June 2020: 91.0%) and 7.0% (for the six months ended 30 June 2020: 9.0%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB4,829.3 million was mainly attributable to the sales of luxury brands (i.e. BMW) which recorded a recovery growth, resulting in a significant increase in new automobile sales during the Reporting Period.

Revenue from our after-sales services increased by 25.2% from RMB1,823.5 million for the six months ended 30 June 2020 to RMB2,283.3 million for the same period in 2021. The relevant contribution of our after-sales services to our revenue decreased from 12.5% for the six months ended 30 June 2020 to 11.5% for the same period in 2021. The Group always focuses on the development of after-sales services business and derivative business and strengthen the development of high-stickiness products to increase customer loyalty.

### Cost of sales and services

For the six months ended 30 June 2021, our cost of sales and services increased by 36.5%, from RMB13,666.0 million for the same period in 2020 to RMB18,659.8 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB17,291.7 million for the six months ended 30 June 2021, representing an increase of RMB4,709.9 million, or 37.4%, as compared to the same period of 2020. The cost of sales and services attributable to our after-sales services amounted to RMB1,363.7 million for the six months ended 30 June 2021, representing an increase of RMB282.3 million, from RMB1,081.4 million for the same period in 2020.





# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2021 was RMB1,231.1 million, representing an increase of RMB294.1 million, or 31.4%, from the same period in 2020. Gross profit from automobile sales increased by 66.8% from RMB178.8 million for the six months ended 30 June 2020 to RMB298.3 million for the same period in 2021, of which RMB306.5 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales services increased by 23.9% from RMB742.1 million for the six months ended 30 June 2020 to RMB919.6 million for the same period in 2021. Automobile sales and after-sales services contributed 24.2% and 74.7%, respectively, to the total gross profit for the six months ended 30 June 2021.

Gross profit margin for the six months ended 30 June 2021 was 6.2% as compared to 6.4% of the same period last year, of which the gross profit margin of automobile sales was 1.7%, representing an increase as compared to 1.4% of the same period last year. The gross profit margin of after-sales services recorded a slight decrease to 40.3% as compared to 40.7% of the same period last year.

## Other income and net gains

Other income and net gains increased by 38.6% from RMB457.1 million for the six months ended 30 June 2020 to RMB633.7 million for the same period in 2021, mainly due to the increase of the commission income during the Reporting Period.

## Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2021 increased by 61.7% from RMB546.4 million in the same period last year to RMB883.4 million.

## Profit for the period

As a result of the foregoing, our profit for the six months ended 30 June 2021 increased significantly by 347.9% from RMB86.8 million in the same period last year to RMB388.9 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

As at 30 June 2021, our cash and cash equivalents amounted to RMB1,827.0 million, representing a decrease of 6.1% from RMB1,945.6 million as at 31 December 2020.

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 2021, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB1,056.0 million (for the six months ended 30 June 2020: generated from RMB979.2 million), RMB150.1 million (for the six months ended 30 June 2020: used in RMB14.3 million), and RMB1,037.2 million (for the six months ended 30 June 2020: used in RMB1,408.4 million), respectively.

### Net current assets

As at 30 June 2021, we had net current assets of RMB4,754.3 million, representing a decrease of RMB367.2 million from RMB5,121.4 million as at 31 December 2020.

### 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 2021, our total capital expenditure was RMB308.8 million (for the six months ended 30 June 2020: RMB201.9 million).

### Inventory

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

Our inventories were RMB3,496.3 million as at 30 June 2021, a 11.1% decrease from RMB3,934.6 million as at 31 December 2020, and our average inventory turnover days decreased from 40.7 days at 31 December 2020 to 35.8 days for the six months ended 30 June 2021, mainly due to the Group continues to optimize its inventory structure and improve its inventory management level.





# MANAGEMENT DISCUSSION AND ANALYSIS

## Interest-bearing bank and other borrowings

As at 30 June 2021, the Group's available and unutilised banking facilities amounted to approximately RMB9,120.3 million (as at 31 December 2020: RMB8,474.7 million).

Our interest-bearing bank and other borrowings as at 30 June 2021 were RMB6,365.9 million, representing an increase of RMB316.7 million from RMB6,049.2 million as at 31 December 2020. The increase was mainly due to the increase in the demand for working capital and the increase in short-term bank loans.

## 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, the loan prime rate, 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. We believe our operations are not subject to any significant and direct foreign exchange risk currently. We do not currently use any derivative financial instruments to hedge our exposure to foreign exchange risk.

## Gearing ratio

The Group monitors capital by using a gearing ratio, which is net debt divided by the equity attributable to owners of the parent plus net debt. Net debt includes bank loans and other borrowings, trade and bills payables, other payables and accruals, non current amounts due to related parties less cash and bank balances. Our gearing ratio for the six months ended 30 June 2021 was 60.9% (as at 31 December 2020: 66.7%).

## Human resources

As at 30 June 2021, the Group had approximately 7,042 employees (as at 30 June 2020: 6,737). Total staff costs for the six months ended 30 June 2021, excluding directors' remuneration, were approximately RMB580.4 million (for the six months ended 30 June 2020: RMB452.3 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 2021 and 31 December 2020, the Group had no significant contingent liabilities.

## Pledge of the Group's assets

The Group pledged its 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 2021, the pledged group assets amounted to approximately RMB4,450.6 million (as at 31 December 2020: RMB6,779.2 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

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

With effect from 30 June 2021, (i) Mr. Diao Jianshen resigned as an independent non-executive Director, the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee; (ii) Mr. Chan Wan Tsun Adrian Alan resigned as an independent non-executive Director and a member of the Audit Committee; (iii) Ms. Liu Wenji was appointed as an independent non-executive Director, the chairman of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee; and (iv) Mr. Ho Hung Tim Chester was appointed as an independent non-executive Director and a member of the Audit Committee.

For details, please refer to the announcement of the Company dated 30 June 2021.

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 Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2021.

### Changes since 31 December 2020

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 2020.

## FUTURE OUTLOOK AND STRATEGIES

In the face of new opportunities and challenges, the Company will continue to position itself as a dealer and service provider of luxury car brands, and through enhancing the refined management, the Company aims to strengthen and improve the existing luxury brand structure, revitalizing its existing assets, and optimizing the brand structure as well as network distribution to improve the service capacity and customer loyalty.

At the same time, the Company also recognises that the growth rate of new energy vehicle models in luxury brands is higher than the overall market growth rate of luxury brands, and the luxury vehicles consumers have gradually started to adapt to new energy vehicle models. The PRC government has also promulgated a series of favorable policies to promote new energy vehicles, including the Development Plan on New Energy Vehicle Industry (2021-2035) (新能源汽车产业發展規則(2021-2035年)). In the second half of the year, BMW is launching its pure electric flagship SUV, namely BMW iX, and BMW i4; and Audi is launching two electric vehicle models, namely e-tron GT and RS e-tron GT. In this market segment, traditional fuel vehicle luxury brands are also gradually making efforts, and the trend of electrification and computerization is getting stronger, which will inject new growth drivers into the market. While continuing the marketing and services of traditional luxury brand new energy vehicle models, the Company will also seize the opportunity to rearrange the new energy service industry chain, so as to adapt to the new development trend of future automobile industry.

In the future, the Group will continue to rely on its core resources and advantages, and together with the controlling shareholder, CGA, the Group will continue to promote digital transformation, and through the linking digital tools and the businesses together, the Company effectively leverages the advantages of co-operating with digital marketing, operations and data analysis etc., so as to empower the business and achieve the improvement of overall business capability, ultimately creating an interconnected, efficient and professional digitalised automobile services ecosystem. With the goal of providing high-quality services and a focus on achieving the Group's healthy, sustainable and stable long-term development, the Group strives to become a luxury car brand dealer and service provider in China with efficient operation management and long-term sustainable development.







# 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 2021, 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 2021 were as follows:

	Date of grant	Exercise price per share	Exercise period from until		Vesting period (Notes)	Outstanding as at 01/01/2021	Number of shares options				Outstanding as at 30/06/2021	
							Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
<b>(i) Directors</b>												
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
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)	49,950,000	-	-	3,926,000	-	-	46,024,000
<b>Total:</b>						57,150,000	-	-	3,926,000	-	-	53,224,000

Notes:

- (i) 30% of the share options will be vested on, and exercisable from, the first anniversary of the date of grant;
- (ii) a further 30% of the share options will be vested on, and exercisable from, the second anniversary of the date of grant;
- (iii) a further 40% of the share options will be vested on, and exercisable from, the third anniversary of the date of grant;
- (iv) The closing price of the shares of the Company immediately before the date of grant (i.e. as at 27 March 2018) was HK\$3.27.

Details of Share Option Scheme and the share options issued under the Share Option Scheme are included in note 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 2021, 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
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.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021, 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 2021, 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, who 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 2021.

## 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 2020 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 (the “**CG Code**”) set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, during the six months ended 30 June 2021 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. Lu Wei, being the chairman and executive Director of the Company, is responsible for the operation and management of the Board. No chief executive officer has been appointed by the Company. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group’s operation and business development.

The Company is committed to enhancing its corporate governance practices 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 2021.

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 comprising Ms. Liu Wenji (chairman), Ms. Liu Yangfang and Mr. Ho Hung Tim Chester, 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 2021 and are of the view that the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 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 2021 and on or before the date of this interim report.

### **SIGNIFICANT INVESTMENTS**

During the six months ended 30 June 2021, 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 2021, 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 2021 (six months ended 30 June 2020: Nil).





# CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>REVENUE</b>	4(a)	<b>19,890,951</b>	14,602,950
Cost of sales and services provided	5(b)	<b>(18,659,840)</b>	(13,665,961)
<b>Gross profit</b>		<b>1,231,111</b>	936,989
Other income and gains, net	4(b)	<b>633,706</b>	457,142
Selling and distribution expenses		<b>(601,656)</b>	(534,357)
Administrative expenses		<b>(379,741)</b>	(313,401)
<b>Profit from operations</b>		<b>883,420</b>	546,373
Finance costs	6	<b>(300,886)</b>	(348,138)
Share of profits and losses of:			
Joint ventures		<b>9,373</b>	265
Associates		<b>4,410</b>	2,180
<b>Profit before tax</b>	5	<b>596,317</b>	200,680
Income tax expense	7	<b>(207,453)</b>	(113,863)
<b>Profit for the period</b>		<b>388,864</b>	86,817
<b>Attributable to:</b>			
Owners of the parent		<b>393,065</b>	92,688
Non-controlling interests		<b>(4,201)</b>	(5,871)
		<b>388,864</b>	86,817
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted			
– For profit for the period (RMB)	9	<b>0.14</b>	0.03



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>Profit for the period</b>	<b>388,864</b>	86,817
<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>278</b>	(35,312)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	<b>15,007</b>	9,215
Time value component of fair value hedges	-	32
Exchange differences on translation of foreign operations	<b>32,640</b>	(73,557)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>47,925</b>	(99,622)
<b>Other comprehensive income for the period, net of tax</b>	<b>47,925</b>	(99,622)
<b>Total comprehensive income for the period</b>	<b>436,789</b>	(12,805)
<b>Attributable to:</b>		
Owners of the parent	<b>440,990</b>	(6,934)
Non-controlling interests	<b>(4,201)</b>	(5,871)
	<b>436,789</b>	(12,805)





# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,476,751</b>	3,353,836
Investment properties		<b>393,353</b>	393,353
Right-of-use assets		<b>1,777,476</b>	1,918,915
Other intangible assets		<b>1,380,523</b>	1,406,346
Prepayments and deposits		<b>59,632</b>	56,627
Finance lease receivables		<b>80,622</b>	60,182
Goodwill		<b>1,222,016</b>	1,222,016
Investments in joint ventures		<b>102,248</b>	102,248
Investments in associates		<b>138,820</b>	123,707
Deferred tax assets		<b>248,152</b>	302,349
Total non-current assets		<b>8,879,593</b>	8,939,579
<b>CURRENT ASSETS</b>			
Inventories	10	<b>3,496,299</b>	3,934,610
Trade receivables	11	<b>521,631</b>	406,719
Finance lease receivables		<b>181,651</b>	182,804
Prepayments, other receivables and other assets		<b>9,235,906</b>	9,778,204
Amounts due from related parties	17(c)	<b>47,108</b>	67,339
Pledged deposits		<b>1,789,977</b>	3,280,534
Cash in transit		<b>7,492</b>	26,059
Cash and cash equivalents		<b>1,826,985</b>	1,945,627
Total current assets		<b>17,107,049</b>	19,621,896



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	<b>5,629,426</b>	5,357,650
Trade and bills payables	13	<b>4,862,532</b>	6,949,166
Other payables and accruals		<b>1,017,218</b>	1,327,024
Lease liabilities		<b>158,888</b>	168,153
Amounts due to related parties	17(c)	<b>41,436</b>	57,838
Income tax payable		<b>643,261</b>	640,621
Total current liabilities		<b>12,352,761</b>	14,500,452
NET CURRENT ASSETS		<b>4,754,288</b>	5,121,444
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>13,633,881</b>	14,061,023
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	<b>736,449</b>	691,527
Derivative financial instruments		<b>20,736</b>	35,973
Other payables		<b>9,251</b>	9,612
Lease liabilities		<b>1,213,660</b>	1,210,183
Deferred tax liabilities		<b>474,886</b>	479,679
Amounts due to a related party	17(c)	<b>2,730,844</b>	3,621,875
Total non-current liabilities		<b>5,185,826</b>	6,048,849
Net assets		<b>8,448,055</b>	8,012,174
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	14	<b>23,277</b>	23,277
Reserves		<b>8,431,886</b>	7,979,892
		<b>8,455,163</b>	8,003,169
Non-controlling interests		<b>(7,108)</b>	9,005
Total equity		<b>8,448,055</b>	8,012,174







# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Statutory reserve* RMB'000	Megeer 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 2020 (audited)</b>	23,277	2,372,982	100,296	1,299,229	(18,532)	(2,185)	(634,246)	4,528,763	7,669,584	27,595	7,697,179
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>	23,277	2,372,982	109,071	1,299,229	(18,532)	(28,250)	(707,803)	4,621,451	7,671,425	21,724	7,693,149
<b>At 1 January 2021 (audited)</b>	<b>23,277</b>	<b>2,372,982</b>	<b>110,049</b>	<b>1,300,192</b>	<b>(18,532)</b>	<b>(14,715)</b>	<b>(512,246)</b>	<b>4,742,162</b>	<b>8,003,169</b>	<b>9,005</b>	<b>8,012,174</b>
Profit for the period	-	-	-	-	-	-	-	393,065	393,065	(4,201)	388,864
Cash flow hedges	-	-	-	-	-	15,285	-	-	15,285	-	15,285
Time value component of fair value hedges	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on related to foreign operations	-	-	-	-	-	-	32,640	-	32,640	-	32,640
<b>Total comprehensive income for the period</b>	-	-	-	-	-	15,285	32,640	393,065	440,990	(4,201)	436,789
Acquisition of non-controlling interest	-	-	-	-	-	10,482	-	-	10,482	(11,912)	(1,430)
Equity-settled share options forfeited	-	-	(2,305)	-	-	-	-	2,305	-	-	-
Equity-settled share option management	-	-	522	-	-	-	-	-	522	-	522
<b>At 30 June 2021 (unaudited)</b>	<b>23,277</b>	<b>2,372,982</b>	<b>108,266</b>	<b>1,300,192</b>	<b>(18,532)</b>	<b>11,052</b>	<b>(479,606)</b>	<b>5,137,532</b>	<b>8,455,163</b>	<b>(7,108)</b>	<b>8,448,055</b>

\* These reserve accounts comprise the consolidated reserves of RMB8,431,886,000 (30 June 2020: RMB7,648,148,000) in the consolidated statement of financial position.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>Operating activities</b>			
Profit before tax		<b>596,317</b>	200,680
Adjustments for:			
Share of profit of joint ventures		<b>(9,373)</b>	(265)
Share of profits of associates		<b>(4,410)</b>	(2,180)
Depreciation of property, plant and equipment	5(c)	<b>126,081</b>	139,398
Depreciation of right-of-use assets	5(c)	<b>111,571</b>	109,864
Amortisation of other intangible assets	5(c)	<b>30,894</b>	30,940
Net loss on disposal of subsidiaries	4(b)	–	1,387
Fair value gain, net			
Intrinsic value of hedging instruments		–	21,286
Write-down of/(reversal of write-down of)			
inventory to net realisable value	5(c)	<b>27,954</b>	(727)
Provision for impairment of trade receivables, finance lease			
receivables, prepayment, other receivables and other assets	5(c)	<b>35,612</b>	11,226
Bank interest income	4(b)	<b>(12,272)</b>	(9,131)
Loss/(gain) on disposal of items of property, plant and equipment	4(b)	<b>236</b>	(747)
Gain on disposal of items of other intangible assets	4(b)	–	(692)
Finance costs	6	<b>300,886</b>	348,138
Equity-settle share option expense	5(a)	<b>522</b>	8,775
		<b>1,204,017</b>	857,952
Decrease in pledged deposits		<b>1,498,049</b>	512,675
Decrease/(increase) in cash in transit		<b>18,567</b>	(15,537)
(Increase)/decrease in trade receivables		<b>(115,701)</b>	144,375
Decrease in prepayments, deposits and other receivables		<b>534,589</b>	535,733
Decrease/(increase) in inventories		<b>410,357</b>	(79,357)
Increase in trade and bills payables		<b>(2,086,634)</b>	(711,666)
Increase in other payables and accruals		<b>(327,738)</b>	(198,638)
(Increase)/decrease in finance lease receivables		<b>(20,757)</b>	63,763
Decrease in amounts due to related parties-trade related		<b>72,994</b>	27,648
Decrease/(increase) in amounts due from related parties-trade related		<b>20,230</b>	(20,302)
<b>Cash generated from operations</b>		<b>1,207,973</b>	1,116,646
Income tax paid		<b>(152,018)</b>	(137,405)
<b>Net cash generated from operating activities</b>		<b>1,055,955</b>	979,241





# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	<b>(302,820)</b>	(192,386)
Proceeds from disposal of items of property, plant and equipment	<b>163,261</b>	165,666
Proceeds from disposal of items of other intangible assets	<b>914</b>	737
Purchase of intangible assets	<b>(5,985)</b>	(1,235)
Acquisition of subsidiaries	<b>(7,800)</b>	–
Disposal of subsidiaries	<b>67</b>	(756)
Settlement of derivative financial instruments	<b>–</b>	4,873
Interest received	<b>11,060</b>	8,836
Purchase of shareholding in a jointly-controlled entity	<b>(1,330)</b>	–
Increase of term deposits of maturity over three months	<b>(7,492)</b>	–
<b>Net cash used in investing activities</b>	<b>(150,125)</b>	(14,265)
<b>Financing activities</b>		
Proceeds from interest-bearing bank and other borrowings	<b>1,432,280</b>	3,379,597
Repayment of interest-bearing bank and other borrowings	<b>(1,130,047)</b>	(7,573,629)
Principal portion of lease payments	<b>(134,951)</b>	(122,764)
Interest paid	<b>(222,591)</b>	(297,311)
Repayment of borrowings from a related party	<b>(1,238,180)</b>	(640,000)
Borrowings from related parties	<b>257,753</b>	3,845,691
Received capital injection from a non-controlling shareholder	<b>(1,430)</b>	–
<b>Net cash used in financing activities</b>	<b>(1,037,166)</b>	(1,408,416)
<b>Net decrease in cash and cash equivalents</b>	<b>(131,336)</b>	(443,440)
Cash and cash equivalents at the beginning of each period	<b>1,945,627</b>	1,663,106
Effect of foreign exchange rate changes, net	<b>12,695</b>	(15,959)
<b>Cash and cash equivalents at the end of each period</b>	<b>1,826,986</b>	1,203,707



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange since 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2021 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 2020.

### 2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, 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 9,  
HKAS 39 and HKFRS 7,  
HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*Covid-19-Related Rent Concessions beyond  
30 June 2021 (early adopted)*

The revised standards have had no significant financial effect on these financial statements.





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 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 2021, major customers information as required by HKFRS 8 *Operating Segments* is not presented.

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

### (a) Revenue

An analysis of revenue is as follows:

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>Revenue from contracts with customers</b>		
Sales of motor vehicles	<b>17,589,962</b>	12,760,614
After-sales services	<b>2,283,256</b>	1,823,478
<b>Revenue from other sources</b>		
Finance leasing services	<b>17,733</b>	18,858
	<b>19,890,951</b>	14,602,950



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

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

### (a) Revenue (continued)

#### Revenue from contracts with customers

##### Disaggregated revenue information

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>Types of goods or service</b>		
Sale of motor vehicles	<b>17,589,962</b>	12,760,614
After-sales services	<b>2,283,256</b>	1,823,478
<b>Total</b>	<b>19,873,218</b>	14,584,092
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>17,589,962</b>	12,760,614
Service rendered at a point in time	<b>2,283,256</b>	1,823,478
<b>Total</b>	<b>19,873,218</b>	14,584,092

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

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
Commission income	<b>556,923</b>	422,259
Bank interest income	<b>12,272</b>	9,131
Advertisement support received from motor vehicle manufacturers	<b>9,421</b>	10,072
Rental income*	<b>29,078</b>	23,436
Government grants**	<b>48,362</b>	46,022
(Loss)/gain on disposal of items of property, plant and equipment	<b>(236)</b>	747
Gain on disposal of items of other intangible assets	<b>-</b>	692
Foreign exchange difference, net	<b>(19,292)</b>	(51,402)
Others	<b>(2,822)</b>	(3,815)
	<b>633,706</b>	457,142

\* 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 2021

## 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 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
<b>(a) Employee benefit expense (including Directors' and chief executive's remuneration)</b>		
Wages and salaries	<b>466,729</b>	381,386
Other welfare	<b>115,448</b>	66,396
Equity-settled share option expense	<b>522</b>	8,775
	<b>582,699</b>	456,557
<b>(b) Cost of sales and services</b>		
Cost of sales of motor vehicles	<b>17,291,664</b>	12,581,768
Others	<b>1,368,176</b>	1,084,193
	<b>18,659,840</b>	13,665,961
<b>(c) Other items</b>		
Depreciation of property, plant and equipment*	<b>126,081</b>	139,398
Amortisation of other intangible assets*	<b>30,894</b>	30,940
Advertisement and business promotion expenses	<b>139,092</b>	90,533
Auditor's remuneration	<b>3,050</b>	3,050
Bank charges	<b>17,604</b>	11,641
Foreign exchange difference, net	<b>19,292</b>	51,402
Depreciation of right-of-use assets*	<b>111,571</b>	109,864
Lease expenses*	<b>9,806</b>	9,092
Logistics and gasoline expenses	<b>25,910</b>	34,468
Office expenses	<b>9,125</b>	8,629
Impairment of financial assets:		
Impairment of trade receivables	<b>789</b>	216
Impairment of financial assets included in prepayments, other receivables and other assets	<b>33,353</b>	6,054
Impairment of financial lease receivables	<b>1,470</b>	4,956
Write-down of/(reversal of write-down of) inventory to net realisable value**	<b>27,954</b>	(727)
Loss/(gain) on disposal of items of property, plant and equipment	<b>236</b>	(747)
Gain on disposal of items of other intangible assets	<b>-</b>	(692)
Bank interest income	<b>(12,272)</b>	(9,131)

\* 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 2021

## 6. FINANCE COSTS

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
Interest on bank and other borrowings (including amounts due to related parties) Incl: loan arrangement fee	<b>261,110</b> <b>10,377</b>	305,278 30,369
Interest on lease liabilities	<b>39,776</b>	42,860
Total interest expense on financial liabilities not at fair value through profit or loss	<b>300,886</b>	348,138

## 7. INCOME TAX

	<b>Unaudited For the six months ended 30 June 2021 RMB'000</b>	Unaudited For the six months ended 30 June 2020 RMB'000
Current tax: Mainland China corporate income tax	<b>158,049</b>	105,742
Deferred tax	<b>49,404</b>	8,121
Total tax charge for the period	<b>207,453</b>	113,863

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 2020: 16.5%) during the period.

According to the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”), the uniform income tax rate is 25%.(six months ended 30 June 2020: 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 2021

## 8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2020: 2,837,511,429) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020. The Group also did not include share options in the computation of diluted earnings per share for the period ended 30 June 2021 and 2020 because those share options were anti-dilutive for earnings per share.

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

	<b>Unaudited For the six months ended 30 June 2021</b>	Unaudited For the six months ended 30 June 2020
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent (RMB'000)	<b>393,065</b>	92,688
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>2,837,511,429</b>	2,837,511,429
<b>Earnings per share</b>		
Basic and diluted (RMB)	<b>0.14</b>	0.03



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 10. INVENTORIES

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Motor vehicles	<b>3,183,010</b>	3,652,791
Spare parts and accessories	<b>341,323</b>	309,645
	<b>3,524,333</b>	3,962,436
Less: provision for inventories	<b>28,034</b>	27,826
	<b>3,496,299</b>	3,934,610

## 11. TRADE RECEIVABLES

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Trade receivables	<b>524,548</b>	409,040
Impairment	<b>(2,917)</b>	(2,321)
	<b>521,631</b>	406,719

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 the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Within 3 months	<b>458,996</b>	354,440
More than 3 months but less than 1 year	<b>45,150</b>	39,712
Over 1 year	<b>17,485</b>	12,567
	<b>521,631</b>	406,719





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2021		
	Effective interest rate (%)	Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	3.9-6.8	2021-2022	2,284,508
– secured	3.9-8.0	2022	170,535
– unsecured	6.6	On demand	29,000
– unsecured	4.0-8.5	2021-2022	712,655
– guaranteed***	LIBOR*+3.08	On demand	1,156,471
– secured and guaranteed	3.7-5.5	2021-2022	313,285
			<b>4,666,454</b>
<b>Other borrowings</b>			
– guaranteed	4.8	2022	27,836
– secured	7.7-8.5	2021-2022	34,679
– unsecured	6.4-9.0	2021-2022	106,917
– secured and guaranteed	4.3-11.0	2021-2022	793,540
			<b>962,972</b>
			<b>5,629,426</b>
<b>Non-current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.9	2023-2025	470,109
– secured	5.2-8.0	2023-2024	258,927
			<b>729,036</b>
<b>Other borrowings</b>			
– secured	4.6	2022	7,413
			<b>736,449</b>
			<b>6,365,875</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

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

	Effective interest rate (%)	Original maturity	RMB'000
Audited As at 31 December 2020			
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	3.9-6.5	2021	1,777,932
– secured	4.1-8.0	2021	125,425
– unsecured	6.6	On demand	29,000
– unsecured	4.0-7.2	2021	429,584
– guaranteed***	LIBOR*+3.08	On demand	1,223,158
– secured and guaranteed	3.7-5.5	2021	366,283
			3,951,382
<b>Other borrowings</b>			
– guaranteed	5.1	2021	24,642
– secured	7.7-8.5	2021	36,660
– unsecured	6.1-9.0	2021	227,178
– secured and guaranteed	3.5-11.0	2021	1,117,788
			1,406,268
			5,357,650
<b>Non-current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.9	2022-2025	467,050
– secured	5.2-8.0	2022-2023	224,477
			691,527
			6,049,177

\* London Inter-Bank Offered Rate





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 13. TRADE AND BILLS PAYABLES

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Trade payables	<b>449,537</b>	452,380
Bills payable	<b>4,412,995</b>	6,496,786
Trade and bill payables	<b>4,862,532</b>	6,949,166

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

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Within 3 months	<b>2,844,137</b>	6,173,411
3 to 6 months	<b>1,807,296</b>	602,668
6 to 12 months	<b>210,092</b>	171,035
Over 12 months	<b>1,007</b>	2,052
	<b>4,862,532</b>	6,949,166

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 2021</b>	Audited 31 December 2020
<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 to the financial statements.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 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>2021</b>	
	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options</b>
At January 1	<b>3.256</b>	<b>57,150,000</b>
Forfeited during the period	<b>3.256</b>	<b>(3,926,000)</b>
At June 30	<b>3.256</b>	<b>53,224,000</b>





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 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 exercise prices and exercise periods of the share options outstanding as of 30 June 2021 are as follows:

Number of options	Exercise price HK\$ per share	Exercise period
15,827,200	3.256	28-3-2019 to 27-3-2028
16,027,200	3.256	28-3-2020 to 27-3-2028
21,369,600	3.256	28-3-2021 to 27-3-2028

At of 30 June 2021, the Company had 53,224,000 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 53,224,000 additional ordinary shares of the Company and additional share capital of HK\$532,240 and share premium of HK\$172,765,000 (before issue expenses).

## 16. COMMITMENTS

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

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Contracted, but not provided for land use rights and buildings	986	1,021
Authorised, but not contracted for land use rights and buildings	9,200	13,689
	<b>10,186</b>	14,710



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 17. RELATED PARTY TRANSACTIONS AND BALANCES

### (a) Transactions with related parties

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

	Notes	Unaudited 30 June 2021 RMB'000	Unaudited 30 June 2020 RMB'000
Purchase of goods:	(i)		
CGA and Companies controlled by CGA		<b>1,574</b>	–
Other related parties		<b>326</b>	328
		<b>1,900</b>	328
Sales of goods:	(ii)		
CGA and Companies controlled by CGA		<b>2,539</b>	170
Other related parties		<b>12</b>	–
		<b>2,551</b>	170
Office rental income from:	(iii)		
CGA and Companies controlled by CGA		<b>2,557</b>	83
Office lease expenses paid or payable by:	(iv)		
CGA and Companies controlled by CGA		<b>2,466</b>	1,832
Commission charged by:	(v)		
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.		<b>18,828</b>	–







# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

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

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

	Notes	Unaudited 30 June 2021 RMB'000	Unaudited 30 June 2020 RMB'000
Service received from:	(vi)		
Maanshan Aika Shangyun Information & Technology Co., Ltd.		926	–
CGA and Companies controlled by CGA		648	–
		<b>1,574</b>	–
Interest expenses:	(vii)		
CGA and Companies controlled by CGA		70,906	17,563
Repayment of borrowings from a related party:	(vii)		
CGA Limited		1,219,673	640,000
Borrowings from related parties:	(vii)		
CGA and Companies controlled by CGA		296,260	3,845,691
Disposal of subsidiaries:			
CGA and Companies controlled by CGA		–	9,730
Payments on behalf of:			
Wuxi Kailong Real Estate Co., Ltd		2,522	–

- (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 office rental income arose from operating lease of the Group's office to CGA and companies controlled by CGA according to the market price.
- (iv) The office lease expenses were charged by CGA and companies controlled by CGA according to the market price. The operating leases have been recognised as right-of-use assets and lease liabilities in the financial statements, upon the adoption of HKFRS 16 Leases effective from 1 January 2019. The above-mentioned lease expenses were the amounts paid or payable for the years presented.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

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

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

- (v) The commission expense was charged for agency service of selling used car provided by the related party. The price was determined according to the published prices and conditions offered to the major customers of the related party.
- (vi) The prices for the technology support services were determined in accordance with the prevailing market prices.
- (vii) As at 30 June 2021, the Company borrowed a total of RMB292,260,000 from companies controlled by CGA. The loan will be due within one year and the interest rate was in line with the benchmark interest rate prescribed by the People's Bank of China.

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 RMB5,045,749,000 as at the end of the reporting period (31 December 2020: RMB4,976,853,000).

The Group's certain bank borrowings amounting to RMB8,500,000 (31 December 2020: nil) were secured by the property, plant and equipment which was held by related parties, amounting to RMB2,805,000 (31 December 2020: nil).





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

## 17. 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 2021:

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Amounts due from related parties:		
Wuxi Kailong Real Estate Co., Ltd.	<b>27,843</b>	25,289
Xinjiang Grand Real Estate Development Co., Ltd.	<b>8,811</b>	8,811
CGA and companies controlled by CGA	<b>4,791</b>	3,160
Xinjiang Guanghui Coal Clean Refining & Chemical Co., Ltd.	<b>4,365</b>	4,365
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.	<b>1,197</b>	–
A company controlled by CGA's joint venture	<b>100</b>	86
CGA's joint venture	<b>1</b>	91
Deyang Nanling Ganghong Automobile Sales Service Co., Ltd.	–	18,553
Shanghai Rongzhi Catering Management Co., Ltd	–	6,984
	<b>47,108</b>	67,339

	<b>Unaudited 30 June 2021 RMB'000</b>	Audited 31 December 2020 RMB'000
Amounts due to related parties-current:		
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.	<b>23,132</b>	6,713
CGA and companies controlled by CGA	<b>18,266</b>	36,725
A company controlled by CGA's joint venture	<b>38</b>	–
CGA's joint venture	–	14,400
	<b>41,436</b>	57,838
Amounts due to a related party-non current:		
A company controlled by CGA	<b>2,730,844</b>	3,621,875

As at 30 June 2021, 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 2021

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

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

	<b>Unaudited 30 June 2021 RMB'000</b>	Unaudited 30 June 2020 RMB'000
Short term employee benefits	<b>1,925</b>	2,151
Equity-settled share option expense	<b>352</b>	2,109
Total compensation paid to key management personnel	<b>2,277</b>	4,260

## 18. 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 2021 were nil and approximately RMB4,455.5 million respectively (31 December 2020: nil and approximately RMB5,969.3 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 2021 were approximately RMB20.7 million and RMB15,572.3 million, respectively (31 December 2020: RMB36.0 million and RMB18,350.7 million, respectively).





# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## 19. 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 2021 was assessed to be insignificant.

### Fair value hierarchy

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



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2021

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

### Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2021

	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	-	20,736	-	20,736

As at 31 December 2020

	Fair value measurement using			Unaudited total RMB'000
	Audited Quoted prices in active markets (Level 1) RMB'000	Audited Significant observable inputs (Level 2) RMB'000	Audited Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	-	35,973	-	35,973

## 20. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 30 June 2021.





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