



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



2022

INTERIM REPORT  
中期報告

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. MA Fujiang (*Chairman*) (appointed on 17 June 2022)  
Mr. BAO Xiangyi (*President*) (appointed on 6 September 2022)  
Mr. LU Ao  
Ms. XU Xing  
Mr. LU Wei (*Chairman*) (resigned on 13 June 2022)  
Mr. WANG Xinming (*President*) (resigned on 6 September 2022)

### Independent Non-executive Directors

Ms. LIU Wenji  
Ms. LIU Yangfang  
Mr. HO Hung Tim Chester

## AUDIT COMMITTEE

Ms. LIU Wenji (*Chairman*)  
Ms. LIU Yangfang  
Mr. HO Hung Tim Chester

## REMUNERATION COMMITTEE

Ms. LIU Wenji (*Chairman*)  
Ms. LIU Yangfang  
Mr. MA Fujiang (appointed on 17 June 2022)  
Ms. XU Xing (appointed on 13 June 2022 and  
ceased on 17 June 2022)  
Mr. LU Wei (resigned on 13 June 2022)

## NOMINATION COMMITTEE

Ms. LIU Yangfang (*Chairman*)  
Ms. LIU Wenji  
Mr. MA Fujiang (appointed on 17 June 2022)  
Ms. XU Xing (appointed on 13 June 2022 and  
ceased on 17 June 2022)  
Mr. LU Wei (resigned on 13 June 2022)

## COMPANY SECRETARY

Ms. XU Xing

## AUTHORISED REPRESENTATIVES

Ms. XU Xing  
Mr. MA Fujiang (appointed on 17 June 2022)  
Mr. LU Ao (appointed on 13 June 2022 and  
ceased on 17 June 2022)  
Mr. LU Wei (resigned on 13 June 2022)

## STOCK CODE

1293

## WEBSITE

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

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## REGISTERED OFFICE

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Grand Cayman KY1-1104,  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR

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## HONG KONG BRANCH SHARE REGISTRAR

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Shops 1712-1716, 17th Floor, Hopewell Centre,  
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## LEGAL ADVISER TO HONG KONG LAW

JINGTIAN & GONGCHENG LLP  
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Edinburgh Tower, The Landmark,  
15 Queen's Road Central, Central  
Hong Kong

## AUDITORS

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

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) and the management of Grand Baoxin Auto Group Limited (the **"Company"** 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 2022 (the **"Reporting Period"**).

Looking back on the first half of 2022, due to the resurgence of the domestic pandemic and the impacts of lockdown policies, of which those in Shanghai and other places have been imposed for a long time, it had a great impact on the demand of the automobile market and the industrial supply chain. However, Shanghai has ushered in a full resumption of work and production since June; the pandemic control policies across the country have been gradually adjusted; the relevant favorable policies will promote the development of the automobile industry in the second half of the year. The automobile market, therefore, has ushered in a relatively rapid recovery period as a whole. The overall retail sales of passenger vehicles in June 2022 were 1,943,000 units, representing a year-on-year growth of 22.6%. When the pandemic is under control in the second half of the year, the overall passenger vehicle market is expected to grow further.

Although China's automobile market was hit by the lockdowns in multiple places in the first half of the year, causing an unexpected downward impact, it also benefited from the favorable policies as well as the opportunities arising from the rapid development of new energy vehicles and its industrial chain. Even in the first half of 2022, when the pandemic caused a greater impact, the domestic retail sales of new energy passenger vehicles reached 2,248,000 units, representing a year-on-year increase of 122.5%. This indicates that new energy vehicles have gradually entered a new stage of large-scale and market-oriented rapid development. As a China's automobile dealer group, we need to contemplate and plan a roadmap for the future: how the China's automobile dealer industry can achieve success in the accelerated reshuffle of the market under the market condition that new energy vehicles are entering a new stage of large-scale and market-oriented rapid development, and how it seizes the opportunities of accelerated corporate upgrading and development during the channel model reform.

In the meantime, we will continue to use digital tools to empower the development of the main business and focus on the luxury car brand dealership business, while developing the sales services of luxury brand new energy vehicles and its derivative business. We will also continue to consolidate and maintain the dominant position of the Company's BMW brand, and insist on providing our customers with the best car-buying experience and one-stop car operation service with the most comprehensive service, the most considerate sales and after-sales service, as well as the most efficient service process. At the same time, we will also facilitate the transformation of the existing network facilities, optimize the brand structure and regional distribution, and maintain the steady development of the after-sales business.

## CHAIRMAN'S STATEMENT

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. 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.

Yours sincerely,

**MA Fujiang**

*Chairman*

Hong Kong, 25 August 2022



# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

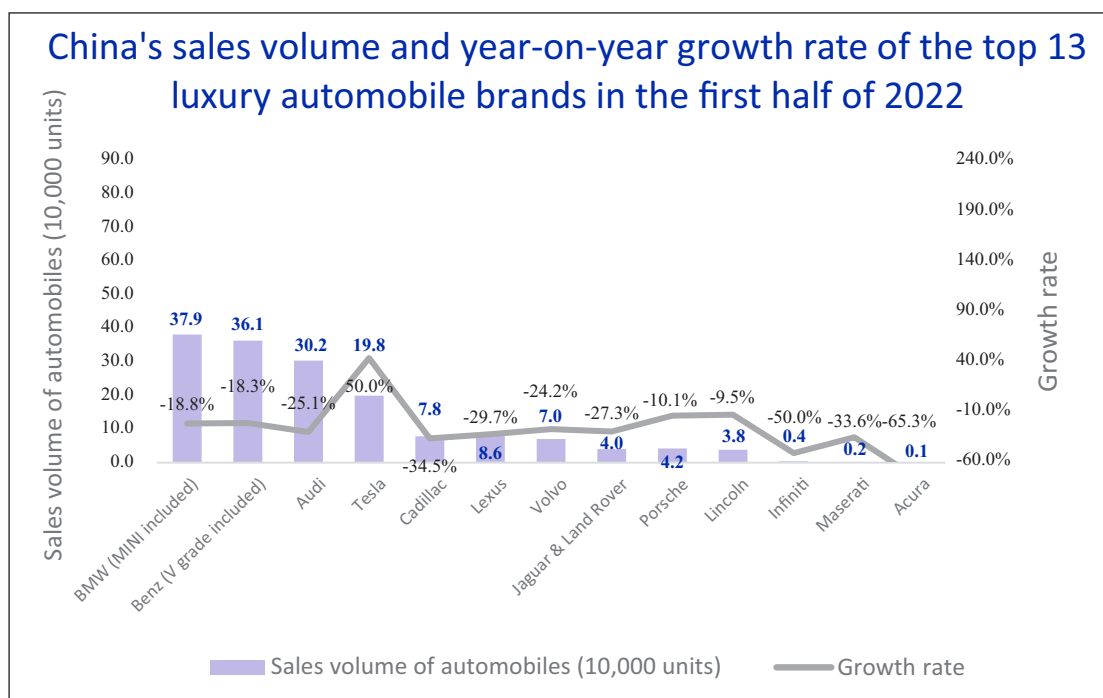
Looking back on the first half of 2022, the international environment has become more complex and severe due to more significant and negative impacts arising from unexpected factors including Russian-Ukrainian war crisis, new wave of the COVID-19 pandemic, and prevention and control policies. The economic development in China is facing highly adverse pressure of shrinking demand, supply shocks and lower expectations, causing a decline in supply and demand as well as a significant slowdown in economic growth. However, the effective control of the COVID-19 pandemic, in which local governments have adopted a series of favourable policies, has accelerated the resumption of work, production, business and market since May 2022, resulting in gradual recovery of the macroeconomy. According to data from the National Bureau of Statistics, China's GDP in the first half of 2022 was RMB56,264.2 billion, representing a year-on-year growth of 2.5%.

According to data from the China Association of Automobile Manufacturers ("CAAM"), from the first half of 2022, the production and sales volume of automobile in China were 12,117,000 units and 12,057,000 units, respectively, representing a year-on-year decrease of 3.7% and 6.6%, respectively. The production and sales of passenger vehicles were 10,434,000 units and 10,355,000 units, respectively, representing a year-on-year growth of 6.0% and 3.4%, respectively. According to data released by the Ministry of Public Security, in the first half of 2022, the number of new energy vehicles in China reached 10.01 million units, representing 3.23% of the total number of vehicles. Newly registered new energy vehicles were 2.209 million units, representing an increase of 1.106 million units or more than doubled compared to those in the same period last year, hitting a record high. It indicates that China's new energy vehicles are no longer a niche product, but an "alternative" for fuel vehicles welcomed by general consumers. It is undeniable that China's new energy vehicles will continue to maintain a rapid growth momentum.

In the first half of 2022, due to the impact of the pandemic, the sales volume of the luxury automobile market decreased, of which BMW (MINI included) sold 379,000 units, representing a year-on-year decrease of 19%; Audi sold 302,000 units, representing a year-on-year decrease of 25%; Benz (V grade included) sold 361,000 units, representing a year-on-year decrease of 18%. However, the sales volume of three luxury automobile brands, namely BMW, Benz and Audi (BBA) in June 2022 increased to approximately 70,000 units due to the effective control of the pandemic and a series of favourable policies introduced by the Government. The sales volume of BBA luxury automobile brands is expected to increase significantly in the second half of the year if their overall sales volume remains the same as those in the previous year.

Luxury automobile brands have always been the bellwether of the automobile market, of which BBA's sales performance is often regarded as a guide to market trends. In the first half of 2022, the domestic luxury automobile market has shown a decline due to factors such as the resurgence of the pandemic, which reflects the existing problems in the industry. For BBA, the key to success in the future depends on whether they can take the lead in the development of electrification. In June this year, the three luxury brands announced the commissioning or landing of their all-electric factories in China at about the same time. The investment of BMW, Benz and Audi in China's pure electric vehicle production bases amounted to RMB15 billion, RMB11.9 billion and RMB18.1 billion respectively. This not only demonstrates that China is of great strategic significance as the world's largest new energy vehicle market, but also shows that BBA has commenced to re-examine the future, in order to come up with a new strategy which can eliminate the competitors in respect of electrification and computerisation.

# MANAGEMENT DISCUSSION AND ANALYSIS



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

## BUSINESS OVERVIEW

During the period for the six months ended 30 June 2022 (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.

During the Reporting Period, our revenue amounted to approximately RMB14,650.4 million, representing a year-on-year decrease of 26.3%; gross profit amounted to RMB1,336.0 million, representing a year-on-year increase of 8.5%; profit attributable to owners of the parent amounted to RMB538.7 million, representing a year-on-year increase of 37.0%, and earnings per share recorded RMB0.19.

# MANAGEMENT DISCUSSION AND ANALYSIS

## New automobile sales

During the Reporting Period, the Group sold a total of 39,950 units of new automobiles, representing a decrease of 27.5% compared to the corresponding period in 2021, and the Group recorded new automobile sales revenue of RMB12,864.6 million, representing a decrease of 26.9% compared to the corresponding period in 2021. The sales volume of luxury and ultra-luxury cars was 33,074 units, representing a decrease of 12,915 units compared to the corresponding period in 2021, and such sales revenue reached RMB11,938.4 million, representing a decrease of 27.0% compared to the corresponding period in 2021 and accounted for 92.8% of new automobile sales revenue. In the first half of 2022, the overall gross profit margin of new automobiles of the Group was 4.9%, representing an increase of 3.2 percentage points when compared to the corresponding period in 2021.

During the Reporting Period, facing the impact of the pandemic in China, in order to boost the automobile market, the national and local governments have introduced relevant favorable policies to stimulate the automobile consumer market, which includes several practical implementation policies such as relaxation on car purchase restriction, as well as reduction on purchase tax. With the support of domestic policies on automobile consumption, despite the overall situation of automobile consumption in the second quarter has not fully recovered when compared with the corresponding period of last year, however, the production volume of traditional passenger vehicle in China has had a year-on-year growth of 45.60% since June 2022, which was the highest growth rate since 2010, and it showed the importance of automobile consumption market on China's economic development.

During the Reporting Period, due to the impact of pandemic prevention and control policies and lockdown measures in regions, such as Shanghai and Beijing, where luxury car brands are concentrated, as well as the effect of the shortage of chips and other materials in China, the automobile consumption market encountered several challenges. As a major domestic dealer of luxury car brands, and in response to the pandemic, the Group promptly adjusted its marketing strategies in a timely manner, and while the Group strengthened its efficient management and control of key luxury car brands, it also enhanced communication and coordination with all manufacturers for certain luxury car brands in advance, thus obtaining better resources. Moreover, the Group also increased its efforts on marketing activities mainly through online and new media, and with such the Group strived to minimize the impact of the pandemic. Meanwhile, under the frequent support from the favorable policies of the national and local governments, the customer traffic and orders of each 4S store under the Group recovered swiftly, with sales volume and after-sale services also steadily recovered.

## After-sales services

During the Reporting Period, the revenue of after-sales services was RMB1,764.7 million, representing a decrease of 22.7% compared to the corresponding period in 2021, accounting for 12.1% of the total revenue of the Group. The gross profit of after-sales services was RMB690.8 million, and the gross profit margin of after-sales services was 39.1%.



# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, in response to the periodical decline in business volume caused by the impact of the pandemic, the Group promptly strengthened the procurement control of parts and components and decorative supplies, and took advantage of the Group's business scale to prevent abnormal increase in inventory through centralized procurement and allocation of parts and components in various regions, so as to ensure continuous optimization of inventory structure. In the first half of 2022, under the premise of ensuring the quality, we also re-launched the bidding process for expired centralized procurement products, which further reduced the procurement cost of centralized procurement products.

At the same time, in order to reduce the impact of the pandemic on the maintenance business of the Group, the Group adjusted its strategy in a timely manner. In the early stage of the pandemic, the Group predicted that the subsequent customers might not be able to come to the store physically, and strengthened the launch of various omni-channel marketing activities with the core value of "new customers as the lead, customer retention as the support", increasing online publicity, broadening customer awareness, and targeting customers in advance. On the other hand, when the pandemic eased, the Group adopted "daily announcement of the employees' health", "360-degree disinfection of vehicles" and other measures to dispel customers' concerns, providing strong support for the rapid recovery of subsequent businesses, and ensuring the stability of our after-sales management.

## 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. During the Reporting Period, the commission income from the Group's automobile derivative businesses was RMB370.3 million, representing a decrease of 33.5% compared to the corresponding period in 2021.

During the Reporting Period, local governments successively introduced various supporting policies encouraging automobiles consumption, which particularly boosted the sales volume of luxury brands automobiles to a certain extent. We believe that the upgrading automobile consumption demand, extending product lines of luxury brands and diversified automobile finance products in the PRC will be the drivers for supporting the long-term growth of luxury brands automobiles in the future. During the Reporting Period, the Group recorded a commission income of financial services business of RMB189.0 million, representing an increase of 6.7% compared to RMB177.1 million in the first half of 2021.

During the Reporting Period, the Group actively studied the secondhand automobile policy newly introduced in the PRC, and utilized the industry stimulus policies issued by the local governments and host manufacturers at the same time, so as to continue to strengthen the replacement and acquisition of 4S store channels and achieve rapid and stable business development. In the meantime, the Group has also continuously upgraded its secondhand automobile management system, strengthened the construction of its core capabilities for secondhand automobiles, and continuously improved its evaluation, testing, pricing and disposal capabilities. Besides, the Group has always relied on its own professional and independent operation team to empower the 4S stores and to optimize the online and offline operation mechanism. By adjusting the brand structure and integrating resources, the Group continued to expand the current base customers, strived to increase the proportion of secondhand automobile retail business, and exerted complementary and synergistic effects to facilitate the growth of derivative businesses such as automobile finance and further increase the profitability of secondhand automobiles.

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, due to the resurgence of COVID-19 pandemic and the overall decline in new automobile sales, the scale of the Company's insurance business declined. The commission income of the Group's insurance business was RMB46.9 million, representing a decrease of 49.6% as compared to that of RMB93.0 million in the first half of 2021. The commission income from extended warranty business was RMB91.3 million, representing a decrease of 62.5% as compared to that of RMB243.7 million in the first half of 2021.

## 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. The Group strived to adjust with the demands of the market and the manufacturers on the basis of existing brands, remodelled and upgraded some of its existing 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 2022, the Group owned a total of 111 automobile dealership network and service stores and 10 portfolios of luxury and ultra-luxury automobile brands, namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Infiniti, Cadillac, Alfa Romeo, Porsche, Rolls Royce and Maserati.

## Management Upgrade

During the Reporting Period, the Group strengthened its adjustment on the high-profit high-ownership brand layout which included luxury brands. On the basis of existing stores, the Group implemented measures such as further optimizing its existing brand portfolio, as well as reducing brands with low asset operational efficiency, and thus improved the Group's overall brand structure, in order to assist in sustainable increase of rate of return on investment of the Group's overall assets in the future.

In addition, while the Group constantly improved its operation and management system based on a digitalized system, it also utilized resources comprehensively according to different automobile brands sold by the Company, and coordinated business departments for each car brand on the basis of regional management, so as to complement each other and maximize the Company's synergy effect.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2022, our revenue was RMB14,650.4 million, representing a decrease of approximately 26.3% as compared to the same period in 2021. The decrease was primarily due to the impact of resurgence of COVID-19 pandemic in China during the first half of the year which led to a decline of RMB4,725.3 million or 26.9%, in the Group's new automobile sales business, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2021.

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 2022		Unaudited For the six months ended 30 June 2021	
	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile sales	<b>12,864,646</b>	<b>87.8</b>	17,589,962	88.4
After-sales services	<b>1,764,654</b>	<b>12.1</b>	2,283,256	11.5
Finance leasing services	<b>21,068</b>	<b>0.1</b>	17,733	0.1
Total	<b>14,650,368</b>	<b>100.0</b>	19,890,951	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 87.8% of our total revenue for the six months ended 30 June 2022. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 92.8% (for the six months ended 30 June 2021: 93.0%) and 7.2% (for the six months ended 30 June 2021: 7.0%), respectively, of our revenue from the sales of automobiles. The decrease of revenue from the sales of automobiles of RMB4,725.3 million was mainly attributable to the impact of COVID-19 pandemic in China which led to city lockdown and home quarantines in several big cities during the Reporting Period.

Revenue from our after-sales services decreased by 22.7% from RMB2,283.3 million for the six months ended 30 June 2021 to RMB1,764.7 million for the same period in 2022. The relevant contribution of our after-sales services to our revenue increased from 11.5% for the six months ended 30 June 2021 to 12.1% for the same period in 2022. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of sales and services

For the six months ended 30 June 2022, our cost of sales and services decreased by 28.7%, from RMB18,659.8 million for the same period in 2021 to RMB13,314.3 million, which was mainly attributable to the impact of COVID-19 pandemic during the Reporting Period, our revenue decreased and the corresponding cost also decreased.

The cost of sales and services attributable to our automobile sales business amounted to RMB12,236.5 million for the six months ended 30 June 2022, representing a decrease of RMB5,055.2 million, or 29.2%, as compared to the same period of 2021. The cost of sales and services attributable to our after-sales services amounted to RMB1,073.8 million for the six months ended 30 June 2022, representing a decrease of RMB289.8 million, from RMB1,363.7 million for the same period in 2021.

## Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2022 was RMB1,336.0 million, representing an increase of RMB104.9 million, or 8.5%, from the same period in 2021. Gross profit from automobile sales increased by 110.6% from RMB298.3 million for the six months ended 30 June 2021 to RMB628.2 million for the same period in 2022. Gross profit from after-sales services decreased by 24.9% from RMB919.6 million for the six months ended 30 June 2021 to RMB690.8 million for the same period in 2022. Automobile sales and after-sales services contributed 47.0% and 51.7%, respectively, to the total gross profit for the six months ended 30 June 2022.

Gross profit margin for the six months ended 30 June 2022 was 9.1% as compared to 6.2% of the same period last year, of which the gross profit margin of automobile sales was 4.9%, representing an increase as compared to 1.7% of the same period last year, which was mainly attributable to the fact that the market was more in favor of mid-to-high configuration car models for some luxury brands, and the Group further increased efforts on price control for some luxury brands during the Reporting Period. The gross profit margin of after-sales services recorded a slight decrease to 39.1% as compared to 40.3% of the same period last year.

## Other income and net gains

Other income and net gains decreased by 6.3% from RMB633.7 million for the six months ended 30 June 2021 to RMB594.0 million for the same period in 2022. The decrease was mainly attributable to the decrease in 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 2022 increased by 22.5% from RMB883.4 million in the same period last year to RMB1,082.5 million.

## Profit for the period

As a result of the foregoing, our profit for the six months ended 30 June 2022 increased significantly by 38.8% from RMB388.9 million in the same period last year to RMB539.6 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

As at 30 June 2022, our cash and cash equivalents amounted to RMB1,061.8 million, representing a decrease of 37.6% from RMB1,701.1 million as at 31 December 2021. During the Reporting Period, the Group proactively reduced the scale of interest-bearing liabilities, strengthened the ability to prevent debt repayment risks, and improved the use efficiency of its own funds.

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 2022, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB535.4 million (for the six months ended 30 June 2021: generated from RMB1,056.0 million), RMB79.9 million (for the six months ended 30 June 2021: used in RMB150.1 million), and RMB1,101.5 million (for the six months ended 30 June 2021: used in RMB1,037.2 million), respectively.

### Net current assets

As at 30 June 2022, we had net current assets of RMB4,909.5 million, representing a decrease of RMB35.6 million from RMB4,945.1 million as at 31 December 2021.

### 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 2022, our total capital expenditure was RMB254.2 million (for the six months ended 30 June 2021: RMB308.8 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 RMB3,763.0 million as at 30 June 2022, representing a 35.2% increase from RMB2,782.5 million as at 31 December 2021, and our average inventory turnover days increased from 34.3 days at 31 December 2021 to 44.2 days for the six months ended 30 June 2022, which was mainly due to the Group strengthened its procurement of some of the best-selling brands and car models after the post-pandemic period to cope with the rebound of the automobile market in the second half of the year.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Interest-bearing bank and other borrowings

As at 30 June 2022, the Group's available and unutilised banking facilities amounted to approximately RMB8,737.8 million (as at 31 December 2021: RMB7,530.1 million).

Our interest-bearing bank and other borrowings as at 30 June 2022 were RMB6,012.1 million, representing a decrease of RMB202.8 million from RMB6,214.9 million as at 31 December 2021. The decrease was mainly attributed to our initiative to proactively reduce the scale of interest-bearing liabilities and controlled interest expenses during the Reporting Period.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Volatility risk of government policies

The relationship between the development in passenger vehicle market and the change in domestic and external economic environment is relatively close. Changes in economic cycle will directly affect the development of passenger vehicle industry standards. If China's macro economy slows down in its growth or has continuous downturn in the future which affects the increase in disposable income of households, then car purchasing by residents will decrease accordingly and the industry will be affected to a certain extent, whereby may affect the development of the Company's principal business. In addition, adjustment of relevant policies in automobile industry, such as policy on car purchase restriction and policy on national automobile industry, may have a certain extent of impact on the new automobile sales business of the Company.

### Business risk

As a passenger vehicle retail service provider that operates 45 dealership stores and provides comprehensive services such as after-sales services, the Group mainly relies on the automobile suppliers (manufacturers) and is subject to significant influence brought by the automobile suppliers (manufacturers). The Group's rights in relation to the operation of sales website, supply of motor vehicles and spare parts, as well as other important aspects of the Group's business and operations shall have to adhere to the dealership authorization agreements made between the Group and automobile suppliers (manufacturers). If the financial conditions and operating results of the automobile suppliers (manufacturers) fluctuate, such automobile suppliers (manufacturers) may enter into or renew dealership agreements and authorization agreements on various terms that are reasonable or acceptable to the Group. Certainly, the Group can also choose to terminate the dealership agreements or authorization agreements with the automobile suppliers (manufacturers) based on the Group's adjustment of business strategy or on other reasons. If any of the aforementioned situation occurs, the Group's business and operating conditions may be affected. In order to manage the above-mentioned business risks that the Group is exposed to, the Group will achieve cooperative and win-win relationship by enhancing friendly communication with automobile manufacturers.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Risk of the continuous impact of COVID-19 pandemic

Since the outbreak of COVID-19 pandemic, the macro economy and global supply chain have been adversely affected. At present, the COVID-19 pandemic is still spreading worldwide with virus variants emerging, and this may, in the future, possibly have certain level of impact on the upstream and downstream of the industry in which the Company operates, whereby bringing certain adverse factors and uncertainties to the Company's operations.

The Group will pay close attention to the possible volatility of the COVID-19 pandemic which may result in various uncertainties, further assess the impact of pandemic and responsive measures, continue to focus on latest changes and challenges of the automobile dealer industry during post-pandemic era, capture market development trends, adopt corresponding measures in a timely manner, and further accelerate business development.

## 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 loan prime rate and SOFR. Increases in interest rates could adversely affect our finance costs, profit and our financial condition.

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 as at 30 June 2022 was 53.2% (as at 31 December 2021: 63.7%).

## Human resources

As at 30 June 2022, the Group had approximately 7,472 employees (as at 30 June 2021: 7,042). Total staff costs for the six months ended 30 June 2022, excluding directors' remuneration, were approximately RMB502.2 million (for the six months ended 30 June 2021: RMB580.4 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Contingent liabilities

As at 30 June 2022 and 31 December 2021, 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 2022, the pledged group assets amounted to approximately RMB4,229.0 million (as at 31 December 2021: RMB5,562.4 million).

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

With effect from 13 June 2022, (i) Mr. Lu Wei resigned from his positions as the chairman of the Board, executive Director, a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company and an authorised representative of the Company (the "**Authorised Representative**") under Rule 3.05 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**"); (ii) Ms. Xu Xing was appointed as a member of each of the Nomination Committee and the Remuneration Committee; and (iii) Mr. Lu Ao was appointed as an Authorised Representative under Rule 3.05 of the Listing Rules.

With effect from 17 June 2022, (i) Mr. Ma Fujiang was appointed as the chairman of the Board, an executive Director, a member of each of the Nomination Committee and the Remuneration Committee of the Company and the Authorised Representative; (ii) Ms. Xu Xing ceased to act as a member of each of the Nomination Committee and the Remuneration Committee; and (iii) Mr. Lu Ao ceased to act as the Authorised Representative under Rule 3.05 of the Listing Rules.

With effect from 6 September 2022, (i) Mr. Wang Xinming resigned as an executive Director and the president of the Company; and (ii) Mr. Bao Xiangyi was appointed as an executive Director and the president of the Company. For Mr. Bao's biographical details, please refer to the announcement of the Company dated 6 September 2022.

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 2022 and up to the date of this report.

## Changes since 31 December 2021

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 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE OUTLOOK AND STRATEGIES

### Outlook

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 of branding and regionalization, the Company steadily strengthens and improves the existing luxury brand structure, revitalizes its existing assets, and optimizes the brand structure as well as network distribution to continue improving the service capacity and customer loyalty.

At the same time, the Company is also aware 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 begun to fully adapt to new energy vehicle models. According to the data published by CAAM, the production and sales volume of new energy vehicles during the first half of this year was 2,661,000 units and 2,600,000 units respectively, representing a year-on-year growth of 1.2 times each, with market share reached 21.6%. Among which, the sales volume of new energy passenger vehicles accounted for 24% of total sales volume of passenger vehicles. In this market segment of new energy vehicles, traditional fuel vehicle luxury brands are also gradually making efforts. In the first half of this year, the BMW Group (寶馬集團) delivered approximately 378,700 units of vehicles in China in total, of which, the sales volume of pure electric vehicle model achieved a year-on-year growth of 74.6%, and five types of pure electric vehicle model, namely BMW iX3, BMW i3, BMW i4, BMW iX and BMW i7, were launched in the Greater China. The trend of electrification and computerization is getting stronger, which will inject new growth drivers into the market. According to the plan, the BMW brand intends to double its sales volume of pure electric vehicle in 2022 as compared with 2021, and by 2025, the BMW brand plans to deliver a total of 2,000,000 units of pure electric vehicles around the world.

In the future, the Group will continue to rely on its core resources and advantages, and 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. 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 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 adopted a share option scheme on 14 December 2011 (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Share Option Scheme became effective on 14 December 2011 and remained in force for 10 years. As at 30 June 2022, the Share Option Scheme has expired.

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 2022 were as follows:

	Date of grant	Exercise price per share	Exercise period from until		Vesting period (Notes)	Outstanding as at 01/01/2022	Number of shares options				Outstanding as at 30/06/2022
							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 (v)	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;
- (v) Mr. Wang Xinming resigned as an executive Director with effect from 6 September 2022. For the details, please refer to the announcement of the Company dated 6 September 2022.

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 2022, 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 <sup>(3)</sup>	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. Wang Xinming resigned as an executive Director with effect from 6 September 2022. For the details, please refer to the announcement of the Company dated 6 September 2022.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2022, 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 2022, 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%
Extensive Success Holdings Limited <sup>(2)</sup>	Interest in controlled corporation	219,379,630 (L)	7.73%
TMF (Cayman) Ltd. <sup>(2)</sup>	Trustee interest	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 Extensive Success Holding Limited. TMF (Cayman) Ltd. holds the entire issued share capital of Extensive Success Holding Limited as trustee. Each of Extensive Success Holding Limited and TMF (Cayman) Ltd. 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 2022.

## 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 six months ended 30 June 2022 and up to the date of this interim report and included conditions relating to specific performance of the controlling shareholder of the Company:

On 4 March 2022, the Company (as borrower) entered into a facility agreement (the "**Facility Agreement**") with (among others) Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司) ("**SCBHK**") as global coordinator, SCBHK and China Everbright Bank Company Limited, Shanghai Branch as mandated lead arranger and bookrunners, China Citic Bank Corporation Limited Suzhou Branch and China Guangfa Bank Co., Ltd, Shanghai Branch as lead arrangers, Industrial Bank Co., Ltd, Shanghai Branch as arranger, a syndicate of banks as original lenders, SCBHK as facility agent and SCBHK as security agent for a term loan facility in the aggregate amount of US\$130,000,000, while the aggregate amount may be increased by the Company in accordance with the Facility Agreement by an aggregate amount of not more than US\$150,000,000 (the "**Facilities**"). The Facilities are available for drawdown for a period of 7 months from the date of the Facility Agreement and the loans made under the Facility Agreement shall be fully repaid within 36 months from the first utilisation date of such loans. CGA will provide joint and several liability guarantee for the Facilities. The purpose of the Facilities is (among others) to refinance the existing indebtedness of the Company and for general corporate purposes of the Group.

Pursuant to the Facility Agreement, upon the occurrence of a "Change of Control", no lender under the Facility Agreement is obliged to fund any utilization and any lender under the Facility Agreement may, subject to SCBHK (as facility agent) giving not less than 15 days' notice to the Company, cancel any or all of its commitments and declare its participation in the loans together with accrued interest, and all other amounts accrued or outstanding under the finance documents immediately due and payable.

A "Change of Control" is defined under the 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;

# CORPORATE GOVERNANCE AND OTHER INFORMATION

- (iii) CGA ceases to beneficially own, directly or indirectly, 100% of the equity interests in China Grand Automotive Services LLC. (廣匯汽車服務有限責任公司) (“**CGA LLC**”) or ceases to control CGA LLC;
- (iv) CGA ceases to beneficially own, directly or indirectly, 100% of the equity interests in China Grand Automotive Services (Hong Kong) Limited (廣匯汽車服務(香港)有限公司) (“**CGA HK**”) or ceases to control CGA HK;
- (v) CGA ceases to beneficially own, directly or indirectly, at least 75% of the equity interests in Shanghai Dexin Automotive Services Co., Ltd. (上海德新汽車服務有限公司) (“**Shanghai Dexin**”) or (following any consolidation by merger with any member of CGA Group) the merged entity of Shanghai Dexin and the applicable member of CGA Group (the “**Shanghai Dexin Merged Entity**”) or ceases to control Shanghai Dexin or (if applicable) Shanghai Dexin Merged Entity, unless any reduction below such minimum shareholding percentage is due to any strategic investment in Shanghai Dexin or (if applicable) Shanghai Dexin Merged Entity in accordance with the Facility Agreement; or
- (vi) CGA ceases to beneficially own, directly or indirectly, at least 75% of the equity interests in Huitong Xincheng Leasing Co., Ltd. (匯通信誠租賃有限公司) (“**HTXC Leasing**”) or ceases to control HTXC Leasing, unless any reduction below such minimum shareholding percentage is due to the listing of HTXC Leasing or any strategic investment in HTXC Leasing in accordance with the Facility Agreement.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in Part 2 of 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 2022, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision C.2.1.

Under the code provision C.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Ma Fujiang, 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.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 2022.

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 Ms. Liu Wenji (chairlady), 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 2022 and are of the view that the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022 and on or before the date of this interim report.

## SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2022, 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 2022, 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 2022 (six months ended 30 June 2021: Nil).



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>REVENUE</b>	4(a)	<b>14,650,368</b>	19,890,951
Cost of sales and services provided	5(b)	<b>(13,314,343)</b>	(18,659,840)
<b>Gross profit</b>		<b>1,336,025</b>	1,231,111
Other income and gains, net	4(b)	<b>593,986</b>	633,706
Selling and distribution expenses		<b>(559,107)</b>	(601,656)
Administrative expenses		<b>(288,431)</b>	(379,741)
<b>Profit from operations</b>		<b>1,082,473</b>	883,420
Finance costs	6	<b>(263,776)</b>	(300,886)
Share of profits and losses of:			
Joint ventures		–	9,373
Associates		<b>5,976</b>	4,410
<b>Profit before tax</b>	5	<b>824,673</b>	596,317
Income tax expense	7	<b>(285,074)</b>	(207,453)
<b>Profit for the period</b>		<b>539,599</b>	388,864
<b>Attributable to:</b>			
Owners of the parent		<b>538,673</b>	393,065
Non-controlling interests		<b>926</b>	(4,201)
		<b>539,599</b>	388,864
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic and diluted			
– For profit for the period (RMB)	9	<b>0.19</b>	0.14

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>Profit for the period</b>	<b>539,599</b>	388,864
<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	-	278
Reclassification adjustments for gains included in the consolidated statement of profit or loss	<b>4,690</b>	15,007
Exchange differences on translation of foreign operations	<b>(151,998)</b>	32,640
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<b>(147,308)</b>	47,925
<b>Other comprehensive (loss)/income for the period, net of tax</b>	<b>(147,308)</b>	47,925
<b>Total comprehensive income for the period</b>	<b>392,291</b>	436,789
<b>Attributable to:</b>		
Owners of the parent	<b>391,365</b>	440,990
Non-controlling interests	<b>926</b>	(4,201)
	<b>392,291</b>	436,789

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	<b>Unaudited 30 June 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,396,664</b>	3,443,928
Investment properties		<b>394,316</b>	394,316
Right-of-use assets		<b>1,580,348</b>	1,678,152
Goodwill		<b>1,222,016</b>	1,222,016
Other intangible assets		<b>1,323,063</b>	1,352,547
Prepayments and deposits		<b>39,770</b>	62,734
Finance lease receivables		<b>80,086</b>	79,609
Investments in joint ventures		<b>102,248</b>	102,248
Investments in associates		<b>156,413</b>	150,437
Deferred tax assets		<b>159,251</b>	225,677
Total non-current assets		<b>8,454,175</b>	8,711,664
<b>CURRENT ASSETS</b>			
Inventories	10	<b>3,763,041</b>	2,782,521
Trade receivables	11	<b>512,237</b>	376,991
Finance lease receivables		<b>155,743</b>	160,890
Prepayments, other receivables and other assets		<b>9,299,657</b>	11,062,847
Amounts due from related parties	17(c)	<b>51,461</b>	47,568
Pledged deposits		<b>1,806,597</b>	3,249,125
Cash in transit		<b>10,275</b>	1,928
Cash and bank balances		<b>1,061,799</b>	1,701,133
Total current assets		<b>16,660,810</b>	19,383,003

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	<b>Unaudited 30 June 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	<b>5,368,501</b>	5,685,144
Trade and bills payables	13	<b>4,498,182</b>	6,845,486
Other payables and accruals		<b>854,867</b>	1,091,434
Derivative financial instruments		–	6,256
Lease liabilities		<b>160,909</b>	126,204
Amounts due to related parties	17(c)	<b>185,065</b>	29,674
Income tax payable		<b>683,739</b>	653,713
Total current liabilities		<b>11,751,263</b>	14,437,911
NET CURRENT ASSETS		<b>4,909,547</b>	4,945,092
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>13,363,722</b>	13,656,756
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	12	<b>643,558</b>	529,737
Other payables		<b>13,645</b>	9,675
Lease liabilities		<b>1,089,357</b>	1,179,119
Amounts due to related parties	17(c)	<b>2,081,456</b>	2,796,549
Deferred tax liabilities		<b>468,771</b>	467,031
Total non-current liabilities		<b>4,296,787</b>	4,982,111
Net assets		<b>9,066,935</b>	8,674,645
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	14	<b>23,277</b>	23,277
Reserves		<b>9,054,267</b>	8,662,902
		<b>9,077,544</b>	8,686,179
Non-controlling interests		<b>(10,609)</b>	(11,534)
Total equity		<b>9,066,935</b>	8,674,645

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 2021 (audited)</b>	23,277	2,372,982	110,049	1,300,192	(18,532)	(14,715)	(512,246)	4,742,162	8,003,169	9,005	8,012,174
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>	23,277	2,372,982	108,266	1,300,192	(18,532)	11,052	(479,606)	5,137,532	8,455,163	(7,108)	8,448,055
<b>At 1 January 2022 (audited)</b>	<b>23,277</b>	<b>2,372,982</b>	<b>108,373</b>	<b>1,413,201</b>	<b>(18,532)</b>	<b>25,369</b>	<b>(421,828)</b>	<b>5,183,337</b>	<b>8,686,179</b>	<b>(11,535)</b>	<b>8,674,645</b>
Profit for the period	-	-	-	-	-	-	-	538,673	538,673	926	539,599
Cash flow hedges	-	-	-	-	-	4,690	-	-	4,690	-	4,690
Exchange differences on related to foreign operations	-	-	-	-	-	-	(151,998)	-	(151,998)	-	(151,998)
<b>Total comprehensive income for the period</b>	-	-	-	-	-	4,690	(151,998)	538,673	391,365	926	392,291
Equity-settled share option management	-	-	(100)	-	-	-	-	100	-	-	-
<b>At 30 June 2022 (unaudited)</b>	<b>23,277</b>	<b>2,372,982</b>	<b>108,273</b>	<b>1,413,201</b>	<b>(18,532)</b>	<b>30,059</b>	<b>(573,826)</b>	<b>5,722,110</b>	<b>9,077,544</b>	<b>(10,609)</b>	<b>9,066,935</b>

\* These reserve accounts comprise the consolidated reserves of RMB9,054,267,000 (30 June 2021: RMB8,431,886,000) in the consolidated statement of financial position.



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>Operating activities</b>			
Profit before tax		<b>824,673</b>	596,317
Adjustments for:			
Share of profit of joint ventures		–	(9,373)
Share of profits of associates		<b>(5,976)</b>	(4,410)
Depreciation of property, plant and equipment	5(c)	<b>133,558</b>	126,081
Depreciation of right-of-use assets	5(c)	<b>101,636</b>	111,571
Amortisation of other intangible assets	5(c)	<b>31,120</b>	30,894
Write-down of inventory to net realisable value	5(c)	<b>27,036</b>	27,954
Provision for impairment of trade receivables, finance lease receivables, prepayment, other receivables and other assets	5(c)	<b>(601)</b>	35,612
Bank interest income	4(b)	<b>(10,141)</b>	(12,272)
Loss/(gain) on disposal of items of property, plant and equipment	4(b)	<b>(374)</b>	236
Finance costs	6	<b>263,776</b>	300,886
Equity-settle share option expense	5(a)	–	522
Gain from revision of a lease term arising from a change in the non-cancellable period of a lease		<b>(522)</b>	–
Net gain on disposal of items of right of use assets		<b>(615)</b>	–
		<b>1,363,570</b>	1,204,017
Decrease in pledged deposits		<b>1,457,441</b>	1,498,049
(Increase)/decrease in cash in transit		<b>(8,347)</b>	18,567
Increase in trade receivables		<b>(136,756)</b>	(115,701)
Decrease in prepayments, deposits and other receivables		<b>1,641,061</b>	534,589
(Increase)/decrease in inventories		<b>(1,007,556)</b>	410,357
Decrease in trade and bills payables		<b>(2,347,304)</b>	(2,086,634)
Decrease in other payables and accruals		<b>(242,134)</b>	(327,738)
Decrease/(increase) in finance lease receivables		<b>5,588</b>	(20,757)
Decrease in amounts due to related parties-trade related		<b>2,461</b>	72,994
(Increase)/Decrease in amounts due from related parties-trade related		<b>(3,893)</b>	20,230
<b>Cash generated from operations</b>		<b>724,131</b>	1,207,973
Income tax paid		<b>(188,743)</b>	(152,018)
<b>Net cash generated from operating activities</b>		<b>535,388</b>	1,055,955

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>Investing activities</b>		
Purchase of items of property, plant and equipment	<b>(252,851)</b>	(302,820)
Proceeds from disposal of items of property, plant and equipment	<b>166,658</b>	163,261
Proceeds from disposal of items of other intangible assets	-	914
Purchase of intangible assets	<b>(1,636)</b>	(5,985)
Acquisition of subsidiaries	-	(7,800)
Disposal of subsidiaries	-	67
Interest received	<b>8,805</b>	11,060
Purchase of shareholding in a jointly-controlled entity	-	(1,330)
Increase of term deposits of maturity over three months	-	(7,492)
Purchase of land use rights	<b>(922)</b>	-
<b>Net cash used in investing activities</b>	<b>(79,946)</b>	(150,125)
<b>Financing activities</b>		
Proceeds from interest-bearing bank and other borrowings	<b>1,776,074</b>	1,432,280
Repayment of interest-bearing bank and other borrowings	<b>(2,039,022)</b>	(1,130,047)
Principal portion of lease payments	<b>(67,402)</b>	(134,951)
Interest paid	<b>(138,846)</b>	(222,591)
Repayment of borrowings from a related party	<b>(2,780,309)</b>	(1,238,180)
Borrowings from related parties	<b>2,162,875</b>	257,753
Received capital injection from a non-controlling shareholder	-	(1,430)
Increase in pledged deposits for bank and other borrowings	<b>(14,913)</b>	-
<b>Net cash used in financing activities</b>	<b>(1,101,543)</b>	(1,037,166)
<b>Net decrease in cash and cash equivalents</b>	<b>(646,101)</b>	(131,336)
Cash and cash equivalents at the beginning of each period	<b>1,701,133</b>	1,945,627
Effect of foreign exchange rate changes, net	<b>6,767</b>	12,695
<b>Cash and cash equivalents at the end of each period</b>	<b>1,061,799</b>	1,826,986

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability under the Companies Act of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 14 December 2011. On 21 June 2016, China Grand Automotive Services Group Co., Ltd (“**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 2022 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 2021.

### 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 2021, 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>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The revised standards did not have any significant financial impact on the Group’s condensed consolidated interim financial information.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 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 2022, major customers segment 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 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>Revenue from contracts with customers</b>		
Sales of motor vehicles	<b>12,864,646</b>	17,589,962
After-sales services	<b>1,764,654</b>	2,283,256
<b>Revenue from other sources</b>		
Finance leasing services	<b>21,068</b>	17,733
	<b>14,650,368</b>	19,890,951

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 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 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>Types of goods or service</b>		
Sale of motor vehicles	<b>12,864,646</b>	17,589,962
After-sales services	<b>1,764,654</b>	2,283,256
<b>Total</b>	<b>14,629,300</b>	19,873,218
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>12,864,646</b>	17,589,962
Service rendered at a point in time	<b>1,764,654</b>	2,283,256
<b>Total</b>	<b>14,629,300</b>	19,873,218

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

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
Commission income	<b>370,266</b>	556,923
Bank interest income	<b>10,141</b>	12,272
Advertisement support received from motor vehicle manufacturers	<b>10,755</b>	9,421
Rental income*	<b>32,700</b>	29,078
Government grants**	<b>47,267</b>	48,362
Gain/(loss) on disposal of items of property, plant and equipment	<b>374</b>	(236)
Foreign exchange difference, net	<b>125,961</b>	(19,292)
Others	<b>(3,478)</b>	(2,822)
	<b>593,986</b>	633,706

\* 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 2022

## 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 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
<b>(a) Employee benefit expense (including Directors' and chief executive's remuneration)</b>		
Wages and salaries	<b>389,767</b>	466,729
Other welfare	<b>116,357</b>	115,448
Equity-settled share option expense	-	522
	<b>506,124</b>	582,699
<b>(b) Cost of sales and services</b>		
Cost of sales of motor vehicles	<b>12,236,476</b>	17,291,664
Others	<b>1,077,867</b>	1,368,176
	<b>13,314,343</b>	18,659,840
<b>(c) Other items</b>		
Depreciation of property, plant and equipment*	<b>133,558</b>	126,081
Amortisation of other intangible assets*	<b>31,120</b>	30,894
Advertisement and business promotion expenses	<b>115,241</b>	139,092
Auditor's remuneration	<b>3,050</b>	3,050
Bank charges	<b>10,999</b>	17,604
Foreign exchange difference, net	<b>(125,961)</b>	19,292
Depreciation of right-of-use assets*	<b>101,636</b>	111,571
Lease expenses*	<b>13,224</b>	9,806
Logistics and gasoline expenses	<b>26,190</b>	25,910
Office expenses	<b>7,580</b>	9,125
Impairment of financial assets:		
Impairment of trade receivables	<b>1,510</b>	789
Impairment of financial assets included in prepayments, other receivables and other assets	<b>(1,192)</b>	33,353
Impairment of financial lease receivables	<b>(919)</b>	1,470
Write-down of inventories to net realisable value**	<b>27,036</b>	27,954
(Gain)/loss on disposal of items of property, plant and equipment	<b>(374)</b>	236
Bank interest income	<b>(10,141)</b>	(12,272)
Government grants	<b>(47,267)</b>	(48,362)
Rental income	<b>(32,700)</b>	(29,078)

\* 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 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 2022

## 6. FINANCE COSTS

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
Interest on bank and other borrowings (including amounts due to related parties)	<b>227,771</b>	261,110
Incl: loan arrangement fee	<b>20,324</b>	10,377
Interest on lease liabilities	<b>36,005</b>	39,776
Total interest expense on financial liabilities not at fair value through profit or loss	<b>263,776</b>	300,886

## 7. INCOME TAX

	<b>Unaudited For the six months ended 30 June 2022 RMB'000</b>	Unaudited For the six months ended 30 June 2021 RMB'000
Current tax:		
Mainland China corporate income tax	<b>216,908</b>	158,049
Deferred tax	<b>68,166</b>	49,404
Total tax charge for the period	<b>285,074</b>	207,453

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 2021: 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 2021: 25%), except for two subsidiaries in Xinjiang Uygur Autonomous Region which were exempted from income tax in the first five years and 15 subsidiaries in Sichuan Province which were entitled to income tax rate of 15% under the western development policy.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2021: 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 2022 and 2021.

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

	<b>Unaudited For the six months ended 30 June 2022</b>	Unaudited For the six months ended 30 June 2021
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent (RMB'000)	<b>538,673</b>	393,065
<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>0.19</b>	0.14

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 10. INVENTORIES

	<b>Unaudited 30 June 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
Motor vehicles	<b>3,434,486</b>	2,472,712
Spare parts and accessories	<b>355,890</b>	343,317
	<b>3,790,376</b>	2,816,029
Less: provision for inventories	<b>27,335</b>	33,508
	<b>3,763,041</b>	2,782,521

## 11. TRADE RECEIVABLES

	<b>Unaudited 30 June 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
Trade receivables	<b>517,242</b>	380,635
Impairment	<b>(5,005)</b>	(3,644)
	<b>512,237</b>	376,991

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 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
Within 3 months	<b>418,511</b>	311,100
More than 3 months but less than 1 year	<b>67,776</b>	37,991
Over 1 year	<b>25,950</b>	27,900
	<b>512,237</b>	376,991

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2022		
	Effective interest rate (%)	Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	1.8-7.1	2023	1,841,248
– secured	1.0-7.8	2023	861,418
– unsecured	6.6	On demand	29,000
– unsecured	3.9-7.3	2023	533,700
– guaranteed***	SOFR*+3.5	On demand	691,093
– secured and guaranteed	3.4-6.5	2023	460,991
			4,417,450
<b>Other borrowings</b>			
– guaranteed	3.7-8.8	2022	73,985
– secured	1.0-18.0	2023	607,124
– unsecured	4.6-8.5	2023	87,858
– secured and guaranteed	4.0-11.0	2023	182,084
			951,051
			5,368,501
<b>Non-current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.3-4.9	2023-2025	307,113
– secured	6.4-8.0	2023-2025	336,445
			643,558
			6,012,059



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

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

		Audited As at 31 December 2021	
	Effective interest rate (%)	Original maturity	RMB'000
<b>Current</b>			
<b>Bank borrowings</b>			
– guaranteed	2.5-8.5	2022	2,497,080
– guaranteed	LIBOR**+3.08	On demand	1,027,670
– secured	3.6-6.0	2022	499,658
– unsecured	6.6	On demand	29,000
– unsecured	4.0-7.2	2022	166,000
– secured and guaranteed	3.7-5.5	2022	347,390
			4,566,798
<b>Other borrowings</b>			
– guaranteed	3.7-8.8	2022	292,570
– secured	3.5-8.9	2022	38,738
– secured and guaranteed	4.2-8.5	2022	770,187
– unsecured	6.3-9.7	2022	16,851
			1,118,346
			5,685,144
<b>Non-current</b>			
<b>Bank borrowings</b>			
– guaranteed	4.9	2023-2025	299,167
– secured	6.4-8.0	2023	230,570
			529,737
			6,214,881

\* The secured overnight financing rate (SOFR)

\*\* London Inter-Bank Offered Rate

\*\*\* As at 30 June 2022, long term bank borrowings with an aggregate carrying amount of approximately US\$109,000,000 repayable in 2025 per loan agreements, with repayment on demand clause, have been classified as current liabilities as at 30 June 2022 in order to comply with the requirements set out in Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* as one repayment on demand clause stipulated in the loan contracts is triggered. Taking into account the Group's current financial position and recent positive feedbacks from the banks, the directors are very confident to believe that the bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 13. TRADE AND BILLS PAYABLES

	<b>Unaudited 30 June 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
Trade payables	<b>408,287</b>	362,119
Bills payable	<b>4,089,895</b>	6,483,367
Trade and bill payables	<b>4,498,182</b>	6,845,486

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 2022 RMB'000</b>	Audited 31 December 2021 RMB'000
Within 3 months	<b>3,340,868</b>	6,037,489
3 to 6 months	<b>943,897</b>	613,726
6 to 12 months	<b>175,556</b>	177,736
Over 12 months	<b>37,861</b>	16,535
	<b>4,498,182</b>	6,845,486

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 2022</b>	Audited 31 December 2021
<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 2022

## 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>2022</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 2022

## 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 2022 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 2022, 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 2022 RMB'000	Audited 31 December 2021 RMB'000
Contracted, but not provided for land use rights and buildings	8,939	8,939
Authorised, but not contracted for land use rights and buildings	-	9,200
	8,939	18,139

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## 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 2022 RMB'000	Unaudited 30 June 2021 RMB'000
Purchase of goods:	(i)		
CGA and Companies controlled by CGA		<b>19,525</b>	1,574
Other related parties		-	326
		<b>19,525</b>	1,900
Sales of goods:	(ii)		
CGA and Companies controlled by CGA		<b>8,759</b>	2,539
Other related parties		<b>200</b>	12
		<b>8,959</b>	2,551
Office rental income from:	(iii)		
CGA and Companies controlled by CGA		<b>1,402</b>	2,557
Office lease expenses paid or payable by:	(iv)		
CGA and Companies controlled by CGA		<b>1,660</b>	2,466
Commission charged by:	(v)		
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.		<b>4,508</b>	18,828



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

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

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

Notes	<b>Unaudited 30 June 2022 RMB'000</b>	Unaudited 30 June 2021 RMB'000
Service received from:		
Maanshan Aika Shangyun Information & Technology Co., Ltd.	190	926
CGA and Companies controlled by CGA	<b>2,247</b>	648
	<b>2,437</b>	1,574
Interest expenses:		
Brazos Highland Holding LLC	1,715	–
CGA and Companies controlled by CGA	<b>53,554</b>	70,906
	<b>55,269</b>	70,906
Repayment of borrowings from a related party:		
CGA Limited	<b>2,780,309</b>	1,219,673
Borrowings from related parties:		
Brazos Highland Holding LLC	134,227	–
CGA and Companies controlled by CGA	<b>2,028,648</b>	296,260
	<b>2,162,875</b>	296,260
Payments on behalf of:		
Wuxi Kailong Real Estate Co., Ltd	<b>2,046</b>	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 2022

## 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 2022, the Company borrowed a total of RMB2,028,648,263 from companies controlled by CGA and a total of RMB134,227,202 from Brazos Highland Holding LLC respectively. Both of the loans will be due within one year and the interest rates were 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 RMB3,462,287,000 as at the end of the reporting period (31 December 2021: RMB5,234,063,000).

The Group's certain bank borrowings amounting to nil (31 December 2021: nil) were secured by the property, plant and equipment which was held by related parties, amounting to nil (31 December 2021: nil).



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

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

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

	<b>Unaudited 30 June 2022 RMB'000</b>	Unaudited 30 June 2021 RMB'000
Short term employee benefits	<b>1,747</b>	1,925
Equity-settled share option expense	<b>-</b>	352
Total compensation paid to key management personnel	<b>1,747</b>	2,277

## 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 2022 were nil and approximately RMB3,678 million respectively (31 December 2021: nil and approximately RMB5,617 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 2022 were approximately RMBnil million and RMB14,202.1 million, respectively (31 December 2021: RMB6.3 million and RMB17,339 million, respectively).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2022

## 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 2022 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 2022

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

### Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 30 June 2022

	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	-	-	-	-

As at 31 December 2021

	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	-	6,256	-	6,256

## 20. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 30 June 2022.



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