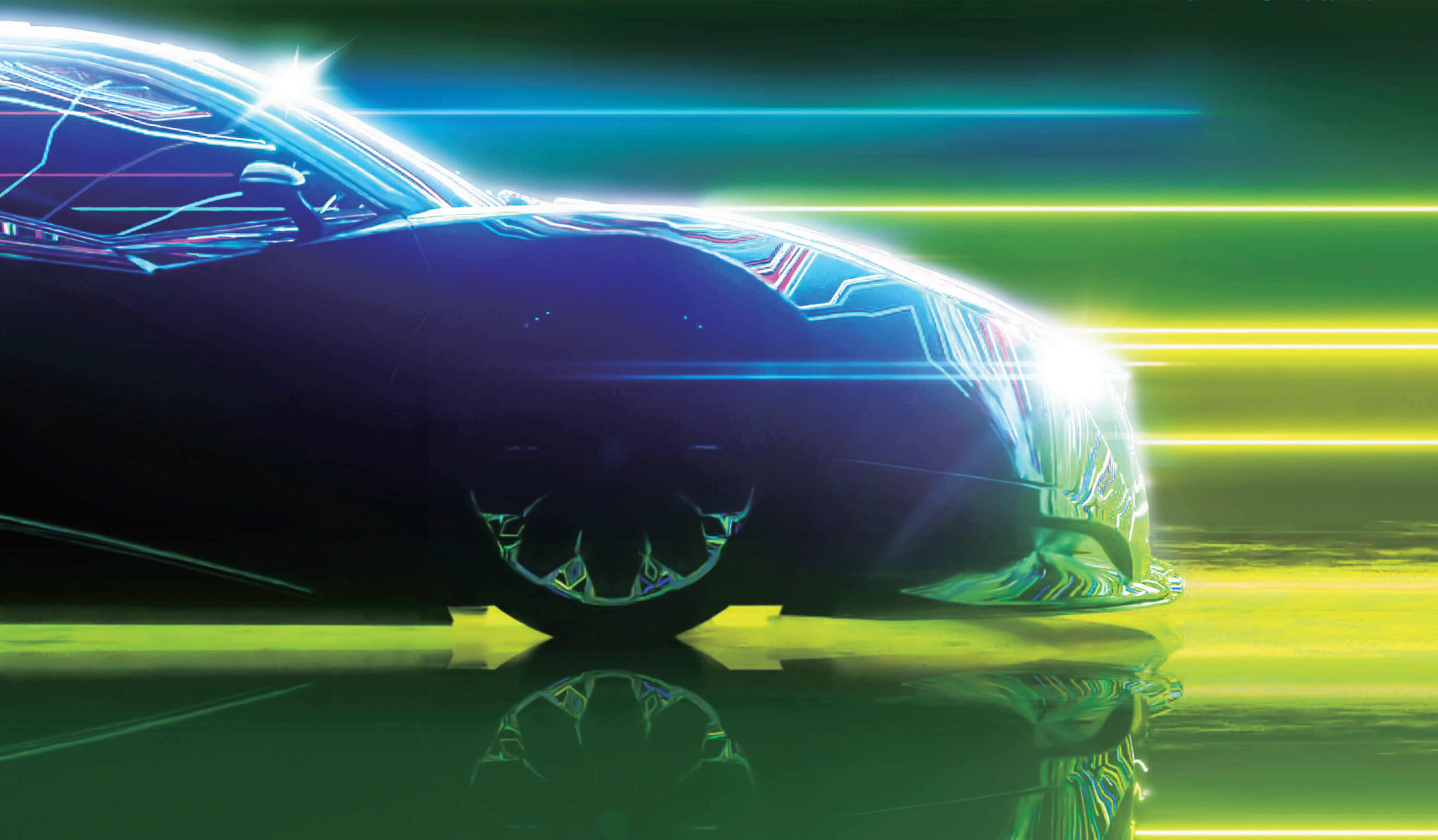
GRAND BAOXIN AUTO GROUP LIMITED
廣匯寶信汽車集團有限公司

(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

2023
INTERIM REPORT 中期報告



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. MA Fujiang *(Chairman)*
Mr. BAO Xiangyi *(President)*
Mr. DING Yu (appointed on 25 August 2023)
Ms. XU Xing
Mr. LU Ao (resigned on 25 August 2023)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms. LIU Wenji *(Chairlady)*
Ms. LIU Yangfang
Mr. MA Fujiang

NOMINATION COMMITTEE

Ms. LIU Yangfang *(Chairlady)*
Ms. LIU Wenji
Mr. MA Fujiang

COMPANY SECRETARY

Ms. XU Xing

AUTHORISED REPRESENTATIVES

Ms. XU Xing
Mr. MA Fujiang

STOCK CODE

1293

WEBSITE

www.klbaoxin.com

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

Grand Baoxin Building, No. 3998 Hongxin Road,
Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F Manulife Place,
348 Kwun Tong Road, Kowloon
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

LEGAL ADVISER TO HONG KONG LAW

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

AUDITORS

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

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 2023 (the "**Reporting Period**").

In the first half of 2023, China had introduced a number of favorable policies to help stabilize the development of the automobile market. However, under the dual influence of price wars and weak demand in the domestic automobile market, the competition in the domestic passenger vehicle industry has intensified, among which survival of the fittest is taking the lead. Correspondingly, China's new energy automobile industry has entered into a new stage of dual development driven by policy and market, and has become an important force leading the transformation of the global automobile industry. As for now, it is important for us to consider and solve the path on how China's automobile dealership industry succeeds in the market where great reshuffle occurs and seize the opportunities to accelerate the corporate upgrade and development in the process of transformation of channel models in the major market trend where new energy vehicles are entering a new stage of scale production and market-oriented rapid development.

In terms of operation, the Group will continue to focus on the luxury car brand dealership business, with an emphasis on the development of luxury brand new energy vehicle sales services and its derivative business. It will further improve the operational quality of core traditional luxury brand stores and consolidate the long-standing advantages of the major luxury brand models distributed by the Group, especially the BMW brand. By promoting strategic marketing driven by market demand and strengthening the business foundation with refined management and control, it will formulate differentiated operational strategies based on different types of luxury brands, so as to ensure the stable sales of new vehicles of the Group and increase the gross profit margins of each luxury brand model on a best effort basis. In terms of management, the Group will continue to facilitate the construction of a financial management center and a fund management center, create an intensive and efficient platform support system in a proactive manner, and further achieve "cost reduction and efficiency improvement" by promoting the platformization of functional departments, in order to provide a solid foundation for deepening the Company's sustainable development.

Last but not least, I would like to, on behalf of the Group, extend my heartfelt gratitude to all our shareholders, business partners and customers from different markets for their enduring trust and support, and also, on behalf of the Board, 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 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 conclude a new plan, construct new business formats and build sustainable development capabilities.

Yours sincerely,
MA Fujiang
Chairman

Hong Kong, 25 August 2023

INDUSTRY OVERVIEW

Looking back to the first half of 2023, the domestic macro-economy has been gradually recovering, while the situation within and outside China was still highly uncertain. As for international situation, there is no sign of an end to the conflict between Russia and Ukraine. Inflation caused by the consequences of large-scale fiscal stimulus policies in Europe and the United States in response to the epidemic has reached a historical high in the past 40 years. As for domestic situation, in 2023, China's economy is still under the "threefold pressure" of shrinking demand, supply shock and weakening expectations.

However, there were still multiple positive factors in respect of China's economy. In the first half of 2023, China accelerated the establishment of a unified national market and a high-standard market system, maintained its own pace of development in a turbulent international environment, and endeavored to achieve effective qualitative improvement and reasonable quantitative growth of the economy. It insisted on achieving superior quality and realizing qualitative change with the accumulation of quantitative changes. In such context, according to the statistics from the National Bureau of Statistics, China's GDP in the first half of 2023 was RMB59,303.4 billion, representing a year-on-year increase of 5.5%.

In the above-mentioned context, the operation of the automobile industry still faced great pressure with low efficiency level, and the recovery speed of the overall automobile consumption industry was slower than expected. Currently, it still shows a sluggish pace of recovery. According to the data released by CAAM, from January to June, domestic automobile production and sales reached 13.248 million units and 13.239 million units respectively, representing a year-on-year increase of 9.3% and 9.8% respectively. The cumulative retail sales of the domestic passenger vehicle market were approximately 9.524 million units, representing a year-on-year increase of 2.7%. Among which, the overall market share of self-owned brands continued to increase, exceeding 50% for the first time, an increase of 4.2 percentage points as compared to the same period in 2022. Among which, in the first half of the year, the production and sales of new energy vehicles in China reached 3.788 million units and 3.747 million units in total, representing a year-on-year increase of 42.4% and 44.1% respectively.

Changes in the passenger vehicle market basically determined the development of China's overall automobile industry. On one hand, from the perspective of China's automobile development structure, passenger vehicles will be the main growth point in the future, especially the living standards of Chinese residents are currently improving, regional differences in terms of economy are constantly narrowing, and the incremental scale of the market is gradually shifting to the third- and fourth-tier cities and rural markets. In the future, vehicle sales in these regions will drive the development of passenger vehicle in China, and the increase in the penetration rate among middle and low-end market will effectively expand the vehicle consumption market. On the other hand, the iteration of technological innovation of the automobile industry is accelerating. The diversification and innovation of products will not only provide a huge opportunity for the reshaping of the order of the automobile industry, but will also further stimulate the new space of the automobile consumer market. The rapid breakthrough and integration of cutting-edge technologies and the collaborative innovation of upstream and downstream enterprises have made the entire automobile industry system grow expeditiously. By accelerating the upgrading of technology, adhering to market orientation, customer orientation, and turning towards the electrification, intelligentization, and networking of automobiles, the automobile industry will enter the stage of competition and elimination in the next few years.

According to data from the National Passenger Cars Association, in the first half of 2023, the BMW Group delivered 392,580 BMW and MINI brand vehicles in the Chinese market, representing a year-on-year increase of 3.7%. Among them, the rapid growth of new energy vehicle sales was the highlight and focus of BMW Group's sales in China in the first half of the year. BMW's pure electric vehicle sales increased by 283.0% year-on-year to approximately 44,900 units. BMW's electrification offensive has achieved remarkable results, thereby resulting in positive growth in overall sales. Similar to the BMW Group, Benz has also achieved sales growth in the Chinese market in the first half of this year. According to official data, from January to June this year, Benz has delivered more than 377,200 new vehicles to Chinese customers, representing a year-on-year increase of 6.0%. Among them, a total of 102,600 pure electric vehicles were sold, representing a year-on-year increase of 121.0%. Audi's sales volume in the first half of the year was approximately 321,000 units, representing a year-on-year increase of 6.6%. Among which, the sales volume of new energy vehicles was approximately 14,000 units, representing approximately 4.3% of the total sales volume in the first half of the year.

BMW, Benz, and Audi (BBA) have been dominating the luxury automobile market in recent years: the combined market share of the three brands was 52.5%, indicating that more than half of the luxury automobiles purchased during the current period were from BBA. However, compared with the past, BBA's dominance and market share are gradually declining, which is largely due to the "invasion" of new energy vehicles, which erodes their market share. As for luxury automobile market, although BBA are also trying their best to transform into the new energy field while continuously introducing new products, it has become the consensus of all traditional automobile brands to focus on digitization, electrification, and intelligentization. But for now, it is temporarily unable to compete with the mainstream brands in such market, and its market share with new energy vehicles presents a trend of "one declines and the other grows". In the first half of 2023, Tesla recorded a sales of 297,000 vehicles, which was slightly behind Audi with a difference of only 24,500 vehicles. The structure of the luxury market has gradually shifted from BBA to BBAT. Each major luxury brand performed differently in the first half of the year. However, after realizing the threat posed by new automobile companies, it has become the consensus of all luxury automobile companies to actively promote electrification transformation, continuously launch new products, and carry out digitalization, electrification, and intelligentization.

Jan. - Jun. 2023 Mainstream Luxury Car Brand Sales in China

Ranking	Brand	Sales volume (10,000 units)	on year-on-year basis	New energy sales volume percentage
	BMW (Mini included)	39.26	3.70%	12.90%
	Mercerdes Benz	37.72	6.00%	5.90%
	Audi	32.15	6.60%	4.30%
	Tesla	29.70	49.80%	100.00%
	Cadillac	8.69	11.10%	1.30%
	VOLVO	7.41	5.60%	9.00%
	LEXUS	7.05	-18.50%	6.90%
	NIO	5.65	14.20%	100.00%
	Jaguar & Land Rover	5.23	30.60%	2.10%
	Porsche	4.40	3.80%	17.70%
	Lincoln	3.29	-13.00%	0.10%
	Total	180.00	14.90%	29.90%

BUSINESS OVERVIEW

During the period for the six months ended 30 June 2023 (the "**Reporting Period**"), as the major dealer of luxury brand passenger vehicles in China, the Group always adhered to the principle of "Service First". While facilitating the optimization of its profit structure, the Group also actively improved its after-sales 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 RMB15,970.0 million, representing a year-on-year increase of 9.0%; gross profit amounted to RMB907.7 million, representing a year-on-year decrease of 32.1%; profit attributable to owners of the parent amounted to RMB323.5 million, representing a year-on-year decrease of 39.9%, and earnings per share recorded of RMB0.11 (six months ended 30 June 2022: RMB0.19).

New automobile sales

During the Reporting Period, the Group sold a total of 42,819 units of new automobiles, representing an increase of 7.2% compared to the corresponding period in 2022, and the Group recorded new automobile sales revenue of RMB13,849.3 million, representing an increase of 7.7% compared to the corresponding period in 2022. The sales volume of luxury and ultra-luxury cars was 36,392 units, representing an increase of 3,318 units compared to the corresponding period in 2022, and such sales revenue reached RMB13,020.6 million, representing an increase of 9.1% compared to the corresponding period in 2022 and accounted for 94.0% of new automobile sales revenue. In the first half of 2023, the overall gross profit margin of new automobiles of the Group was 1.7%, representing a decrease of 3.2 percentage points when compared to the corresponding period in 2022.

We have been actively capitalizing on the Group's economies of scale and good relationships with different manufacturers to realize the advantages of resource synergies. At present, the consumption structure of the PRC passenger vehicle market is gradually developing towards trade-in and additional purchases, with high-end demand and trade-in demand being the two core growth drivers for the growth of the vehicle market. The demand for luxury brands in the traditional fuel vehicle market is relatively strong. Therefore, while working on data analysis, circulation and distribution, real-time tracking and transactions conversion of its own customers, the Group has actively opened up the trade-in and additional purchase of models of the same upgraded brand within the Group and the sharing of cross-brand sales resources, in order to promote the increase in the sales scale of new vehicles of luxury brands.

At the same time, during the Reporting Period, the Group always paid close attention to and understood the new vehicle consumption subsidy policies introduced by the central and local governments, and made full use of the advantages of network and scale to effectively increase the acquisition of new vehicle leads and the growth of retail sales through various online and offline sales channels, thereby promoting the recovery of new vehicle sales.

After-sales services

During the Reporting Period, the revenue of after-sales services was RMB2,098.3 million, representing an increase of 18.9% compared to the corresponding period in 2022, accounting for 13.1% of the total revenue of the Group. The gross profit of after-sales services was RMB658.4 million, and the gross profit margin of after-sales services was 31.4%.

During the Reporting Period, the Group focused on strengthening the cost control of the procurement of parts and components and decorative supplies through the establishment of the "Financial Management Center" and the "Fund Management Center", and took advantage of the Group's business scale to centralize the procurement and allocation of parts and components in various regions, so as to prevent abnormal inventory increase and ensure the continuous optimization of the inventory structure.

During the Reporting Period, the Group actively grasped the rigid demand of customers for vehicle maintenance after the elimination of abnormal factors, and maintained regular communication with customers to understand the driving habits, maintenance frequency and after-sales service demands of different customer groups, so as to enhance the customer stickiness. At the same time, the Group further strengthened the training of after-sales technical personnel to enhance their professional capabilities, so that they could provide customers with high-quality services.

Derivative business

During the Reporting Period, the Group proactively expanded its automobile derivative businesses by continuously overhauling the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative businesses. During the Reporting Period, revenue from the Group's automobile derivative business was RMB474.5 million, representing an increase of 28.2% compared to the corresponding period in 2022.

- ### Automobile finance business

  During the Reporting Period, the Group's automobile finance business recorded a commission income of RMB303.8 million, representing an increase of 60.7% from RMB189.0 million in the corresponding period of 2022.

  During the Reporting Period, the Group leveraged the scale effect of the Group to actively cooperate with factories' financial and banking institutions and carry out policy negotiations on key brands and key regions, thereby expanding cooperation paths, and optimize product structure. While continuing to launch promotional finance products, the Company also strengthened cooperation with Internet automobile rental platforms to enhance differentiated competitiveness. In addition, on the premise of ensuring business volume, the Company intensified the management and improvement of business quality and effectively increased the number of periods of financial products, so that customers could enjoy high-quality financial products and the stickiness with stores would be significantly enhanced.

- ### Secondhand automobile business

  During the Reporting Period, the cumulative transaction volume of secondhand automobile business of the Group was 7,808 units, representing a year-on-year increase of 6.4%. During the Reporting Period, we adopted a stable business strategy for our secondhand automobile business based on the current operating conditions and policy opportunities. By leveraging a unified operation and management model, the Group focused on improving secondhand automobile replacement business with 4S stores as the center, thereby stabilizing the business foundation. At the same time, we enhanced the establishment of key capabilities for secondhand automobiles and implemented a standardized business management and control model to enhance turnover efficiency to ensure the healthy and sound operation of the inventory.

- ### Insurance business

  During the Reporting Period, the scale of our insurance business declined. The commission income of the Group's insurance business was RMB38.0 million, representing a decrease of 19.0% as compared to that of RMB46.9 million in the first half of 2022. The commission income from extended warranty business was RMB90.8 million as compared to RMB91.3 million recorded in the first half of 2022.

  As for insurance business, during the Reporting Period, we continued to improve the scale and quality of insurance renewal and non-automobile insurance business, and strengthened the relationship with insurers to strive for a greater voice in such field and obtain policy support from various aspects. By providing customers with one-stop service, the service needs of customers in the whole life cycle of automobiles were connected so as to enhance the Company's brand image and nurture passenger vehicle sales and after-sales business.

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 capital expenditure of the Company was reduced while the efficiency of capital usage was further enhanced.

As at 30 June 2023, the Group owned a total of 107 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. At the same time, 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.

During the Reporting Period, the Company strengthened internal management upgrades, continued to promote the establishment of financial management center and fund management center, created an intensive and efficient platform support system, promoted the platformization of functional departments, and further realized "cost reduction and efficiency enhancement".

- **Establishment of Fund Management Center:**

  It has created a fund management and control system for store operations, which allows to identify the funds of individual stores in a timely manner, strengthen the overall planning and scheduling of various funds at the headquarters, and explore and withdraw sufficient internal operating cash flow while safeguarding the production and operation, so as to improve the efficiency of the use of self-owned funds.

- **Establishment of Financial Management Center:**

  It has opened up the financial sharing mechanism of all stores, unified the financial standards of all online and physical stores, made a good effort on detailed analysis and control of costs and expenses in a timely manner, and strengthened the Company's real-time supervision of the financial status of all online stores.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, our revenue was RMB15,970.0 million, representing an increase of approximately 9.0% as compared to the same period in 2022. There is an increase of RMB984.6 million or 7.7% 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 2022.

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 2023** Revenue (RMB'000)	**Unaudited For the six months ended 30 June 2023** Contribution (%)	Unaudited For the six months ended 30 June 2022 Revenue (RMB'000)	Unaudited For the six months ended 30 June 2022 Contribution (%)
Automobile sales	**13,849,272**	**86.8**	12,864,646	87.8
After-sales services	**2,098,268**	**13.1**	1,764,654	12.1
Finance leasing services	**22,469**	**0.1**	21,068	0.1
Total	**15,970,009**	**100.0**	14,650,368	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 86.8% of our total revenue for the six months ended 30 June 2023. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 94.0% (for the six months ended 30 June 2022: 92.8%) and 6.0% (for the six months ended 30 June 2022: 7.2%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB984.6 million was mainly attributable to the gradual recovery of the vehicle consumption market as a result of a series of stimulus policies.

Revenue from our after-sales services increased by 18.9% from RMB1,764.7 million for the six months ended 30 June 2022 to RMB2,098.3 million for the same period in 2023. The relevant contribution of our after-sales services to our revenue increased from 12.1% for the six months ended 30 June 2022 to 13.1% for the same period in 2023. The Group always focuses on the development of after-sales services business and derivative business and strengthen the development of high-stickiness products to increase customer loyalty.

Cost of sales and services

For the six months ended 30 June 2023, our cost of sales and services increased by 13.1%, from RMB13,314.3 million for the same period in 2022 to RMB15,062.3 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB13,616.7 million for the six months ended 30 June 2023, representing an increase of RMB1,380.2 million, or 11.3%, as compared to the same period of 2022. The cost of sales and services attributable to our after-sales services amounted to RMB1,439.9 million for the six months ended 30 June 2023, representing an increase of RMB366.1 million, from RMB1,073.8 million for the same period in 2022.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2023 was RMB907.7 million, representing a decrease of RMB428.3 million, or 32.1%, from the same period in 2022. Gross profit from automobile sales decreased by 63.0% from RMB628.2 million for the six months ended 30 June 2022 to RMB232.6 million for the same period in 2023. Due to a slow recovery of the vehicle market, various automobile brands have intensified price competition in the passenger vehicle market in order to increase its market share, which has hindered the economic interests of the automobile dealership industry at the end of the industrial chain to a certain extent. Gross profit from after-sales services decreased by 4.7% from RMB690.8 million for the six months ended 30 June 2022 to RMB658.4 million for the same period in 2023. Automobile sales and after-sales services contributed 25.6% and 72.5%, respectively, to the total gross profit for the six months ended 30 June 2023.

Gross profit margin for the six months ended 30 June 2023 was 5.7% as compared to 9.1% of the same period last year, of which the gross profit margin of automobile sales was 1.7%, representing a decrease as compared to 4.9% of the same period last year, which was mainly attributable to unexpected slow recovery in the vehicle consumption market, leading to a fierce competition in the price of various brand models. The gross profit margin of after-sales services recorded a decrease to 31.4% as compared to 39.1% of the same period last year.

Other income and net gains

Other income and net gains increased by 18.2% from RMB594.0 million for the six months ended 30 June 2022 to RMB701.9 million for the same period in 2023. The increase was mainly attributable to the enriching variety of derivative service products and increasing commission income of these service.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2023 decreased by 27.9% from RMB1,082.5 million in the same period last year to RMB780.7 million for the six months ended 30 June 2023.

Profit for the period

As a result of the foregoing, our profit for the six months ended 30 June 2023 decreased by 39.9% from RMB539.6 million in the same period last year to RMB324.2 million for the six months ended 30 June 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2023, our cash and bank balances amounted to RMB399.7 million, representing a decrease of 19.4% from RMB496.1 million as at 31 December 2022. During the Reporting Period. The Group is continuously strengthening the ability to prevent debt repayment risks, actively optimising the scale of interest-bearing liabilities, and enhancing the efficiency of the use of self-owned funds to meet the daily operating expenses and working capital requirements.

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 2023, our net cash used in operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB104.6 million (for the six months ended 30 June 2022: RMB535.4 million generated), RMB124.9 million (for the six months ended 30 June 2022: RMB79.9 million used), and RMB94.3 million (for the six months ended 30 June 2022: RMB1,101.5 million used), respectively.

Net current assets

As at 30 June 2023, we had net current assets of RMB3,201.0 million, representing an increase of RMB180.4 million from RMB3,020.6 million as at 31 December 2022.

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 2023, our total capital expenditure was RMB268.4 million (for the six months ended 30 June 2022: RMB254.2 million).

Inventory

Our inventories primarily consist of new automobiles, 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 RMB3,464.3 million as at 30 June 2023, representing a 7.5% increase from RMB3,223.0 million as at 31 December 2022, and our average inventory turnover days increased from 34.6 days at 31 December 2022 to 40.0 days for the six months ended 30 June 2023, which was mainly due to the volatilities in the new car market in the first half of the year. Nevertheless, the inventory turnover days of the Group remained in a healthy range and the Group's inventory mix was gradually being optimised.

Interest-bearing bank and other borrowings

As at 30 June 2023, the Group's available and unutilised banking facilities amounted to approximately RMB6,887.8 million (as at 31 December 2022: RMB8,737.8 million).

Our interest-bearing bank and other borrowings as at 30 June 2023 were RMB6,198.5 million, representing an increase of RMB476.4 million from RMB5,722.1 million as at 31 December 2022.

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 4S 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.

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 2023 was 60.2% (as at 31 December 2022: 65.4%).

Human resources

As at 30 June 2023, the Group had approximately 6,568 employees (as at 30 June 2022: 7,472). Total staff costs for the six months ended 30 June 2023, excluding directors' remuneration, were approximately RMB499.8 million (for the six months ended 30 June 2022: RMB502.2 million).

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

Contingent liabilities

As at 30 June 2023 and 31 December 2022, 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 2023, the pledged group assets amounted to approximately RMB4,645.3 million (as at 31 December 2022: RMB6,242.7 million).

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

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 2023 and up to the date of this report.

Changes since 31 December 2022

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 2022.

FUTURE OUTLOOK AND STRATEGIES

Outlook

The Group will continue to actively promote organizational changes and transformation to continuously enhance our core competitiveness in response to the accelerated evolution of the automobile industry and the changes in consumer service demands. We will always seek for a better management model to achieve a better customer service experience, while realizing a lower-cost and higher-efficiency operation model. At the same time, we will continue to optimize the development and management of our brands and outlets, continuously enhance the utilization efficiency of asset, and accelerate the closure and transformation of outlets with low operational efficiency that are not in line with our long-term business strategy, so as to contribute to a sustainable increase in the overall return rate on investment of our assets in the future.

In terms of the principal business, the Group is also keeping abreast of the market. Under the overall trend of electrification in China's passenger vehicle market, traditional brands, independent brands and new brands are seeking to transform and upgrade. We have been closely monitoring the development trend of each brand, especially the core brands that we distribute. On the one hand, the Group will always maintain its policy of consolidating the luxury brands in terms of network development. On the other hand, we will also actively explore the cooperation models with multiple manufacturers of luxury brands in the field of new energy, as well as selectively develop with the independent brands and new brands that have potentials in the field of new energy, so as to gradually form a new brand network, facilitating the development of the Group's business.

In the future, the Group will continue to rely on its core resources and advantages with a more open and inclusive attitude in facing of the development and changes of the automobile consumption market, and while continuing the marketing and services of traditional luxury brand new energy vehicle models, it will also seize the opportunity to explore future business development opportunities in the new energy service industry chain continuously, and seize the key new energy vehicle models launched by various manufacturers of luxury automobile brands, continuously increase our sales proportion and service capabilities in new energy vehicles field, so as to adapt to the new development trend of future automobile industry and build a new energy user rights ecological service industry chain. 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. The Share Option Scheme has expired on 13 December 2021 and thus no options are available for grant during the six months ended 30 June 2023.

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.

The number of shares that may be issued in respect of options granted under the Share Option Scheme during the six months ended 31 December 2022 divided by the weighted average number of shares in issue for the six months ended 30 June 2023 is 1.64%.

Movements of option shares under the Share Option Scheme during the six months ended 30 June 2023 were as follows:

						Number of shares options					
	Date of grant	Exercise price per share	Exercise period from	Exercise period until	Vesting period (Notes)	Outstanding as at 01/01/2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30/06/2023
(i) Directors											
BAO Xiangyi	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	400,000	–	–	–	–	400,000
XU Xing	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	1,800,000	–	–	–	–	1,800,000
LU Ao (v)	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	1,800,000	–	–	–	–	1,800,000
(ii) Other eligible employees (vi)	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	42,597,000	–	–	–	–	42,597,000
				Total:		46,597,000	–	–	–	–	46,597,000

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. Lu Ao resigned as an executive Director with effect from 25 August 2023. For the details, please refer to the announcement of the Company dated 25 August 2023.

(vi) None of the employee participant was granted or to be granted in excess of the 1% individual limit.

Details of Share Option Scheme and the share options issued under the Share Option Scheme are included in note 15 to the financial statements.

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

As at 30 June 2023, 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 [1, 2]	Approximate percentage in the Company's issued voting shares
BAO Xiangyi	Beneficial owner	–	400,000(L)	0.01%
XU Xing	Beneficial owner	–	1,800,000(L)	0.06%
LU Ao [3]	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. LU Ao resigned as an executive Director with effect from 25 August 2023. For the details, please refer to the announcement of the Company dated 25 August 2023.

Save as disclosed above, as at 30 June 2023, 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 2023, 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 2023, none of the Directors (including their respective spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

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

As at 30 June 2023, 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(3)	Approximate percentage in the Company's issued voting shares
China Grand Automotive Services (Hong Kong) Limited ("**CGA HK**") (廣匯汽車服務(香港)有限公司) (1)	Beneficial interest	1,921,117,571 (L)	67.70%
*China Grand Automotive Services Co., Ltd. ("**CGA Limited**") (廣匯汽車服務有限責任公司) (1)	Interest in controlled corporation	1,921,117,571 (L)	67.70%
Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) (1)	Interest in controlled corporation	1,921,117,571 (L)	67.70%
China Grand Automotive Services Group Co., Ltd. ("**CGA**") (廣匯汽車服務集團股份公司) (1)	Interest in controlled corporation	1,921,117,571 (L)	67.70%
Baoxin Investment Management Ltd. (2)	Beneficial interest	219,379,630 (L)	7.73%
M Asia Holding Limited (2)	Interest in controlled corporation	219,379,630 (L)	7.73%
TMF (Cayman) Ltd. (2)	Trustee interest	219,379,630 (L)	7.73%
Yang Chu Yu(3)	Founder of a discretionary trust who can influence how the trustee exercises his discretion	219,379,630 (L)	7.73%

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) TMF (Cayman) Ltd. in its capacity as trustee of a discretionary trust set up by Yang Chu Yu holds the entire issued share capital of M Asia Holding Limited which received 50,000 shares representing 100% interest in Baoxin Investment Management Ltd as trust distribution from a discretionary trust set up by Yang Aihua and TMF (Cayman) Ltd on 2 May 2023. Baoxin Investment Management Ltd owns 219,379,630 shares, equivalent to 7.73% shareholding in the listed corporation.

(3) Yang Chu Yu sets up and is the settlor of a discretionary trust with TMF (Cayman) Ltd. as trustee holding 100% interest in M Asia Holding Limited. On 2 May 2023, M Asia Holding Limited was transferred 100% interest in Baoxin Investment Management Ltd. which in turn owns 7.73% shareholding in the listed corporation. Accordingly, Yang Chu Yu owns indirect interest in Baoxin Investment via her trust and holds the interest in the listed corporation.

(4) 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 2023.

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 2023 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;

(iii) CGA ceases to beneficially own, directly or indirectly, 100% of the equity interests in China Grand Automotive Services Co., Ltd.. (廣匯汽車服務有限責任公司) ("**CGA Limited**") or ceases to control CGA Limited;

(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 2023, 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 2023.

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 2023 and are of the view that the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 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 2023 and on or before the date of this interim report.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2023, 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 2023, 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 2023 (six months ended 30 June 2022: Nil).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	**Unaudited For the six months ended 30 June 2023 RMB'000**	Unaudited For the six months ended 30 June 2022 RMB'000
REVENUE	4(a)	**15,970,009**	14,650,368
Cost of sales and services provided	5(b)	**(15,062,330)**	(13,314,343)
Gross profit		**907,679**	1,336,025
Other income and gains, net	4(b)	**701,904**	593,986
Selling and distribution expenses		**(530,861)**	(559,107)
Administrative expenses		**(298,032)**	(288,431)
Profit from operations		**780,690**	1,082,473
Finance costs	6	**(295,537)**	(263,776)
Share of profits and losses of:			
Joint ventures		**113**	–
Associates		**(151)**	5,976
Profit before tax	5	**485,115**	824,673
Income tax expense	7	**(160,957)**	(285,074)
Profit for the period		**324,158**	539,599
Attributable to:			
Owners of the parent		**323,548**	538,673
Non-controlling interests		**610**	926
		324,158	539,599
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the period (RMB)	9	**0.11**	0.19

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Profit for the period	**324,158**	539,599
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	4,690
Exchange differences on translation of foreign operations	**(114,936)**	(151,998)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(114,936)**	(147,308)
Other comprehensive loss for the period, net of tax	**(114,936)**	(147,308)
Total comprehensive income for the period	**209,222**	392,291
Attributable to:		
Owners of the parent	**208,612**	391,365
Non-controlling interests	**610**	926
	209,222	392,291

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**Unaudited 30 June 2023 RMB'000**	Audited 31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,376,509**	3,426,806
Investment properties		**392,720**	392,720
Right-of-use assets		**1,466,128**	1,577,322
Goodwill		**1,222,016**	1,222,016
Other intangible assets		**1,262,144**	1,291,848
Prepayments and deposits		**53,510**	52,610
Finance lease receivables		**77,456**	69,167
Investments in joint ventures		**102,436**	102,323
Investments in associates		**127,372**	127,524
Deferred tax assets		**247,348**	287,138
Total non-current assets		**8,327,639**	8,549,474
CURRENT ASSETS			
Inventories	10	**3,464,306**	3,222,985
Trade receivables	11	**516,471**	484,894
Finance lease receivables		**126,787**	136,647
Prepayments, other receivables and other assets		**8,440,934**	9,488,041
Amounts due from related parties	17(c)	**56,081**	49,957
Equity investments at fair value through profit or loss		**125,999**	89,356
Pledged deposits		**1,403,202**	2,646,629
Cash in transit		**9,136**	10,919
Cash and bank balances		**399,695**	496,110
Total current assets		**14,542,611**	16,625,538

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**5,657,768**	5,275,072
Trade and bills payables	13	**3,663,684**	6,375,288
Other payables and accruals		**865,350**	1,054,212
Lease liabilities		**173,872**	158,997
Amounts due to related parties	17(c)	**338,565**	145,997
Income tax payable		**642,369**	595,340
Total current liabilities		**11,341,608**	13,604,906
NET CURRENT ASSETS		**3,201,003**	3,020,632
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,528,642**	11,570,106
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**540,719**	446,975
Other payables		**9,744**	9,649
Lease liabilities		**1,016,149**	1,122,879
Amounts due to related parties	17(c)	**1,630,779**	1,862,447
Deferred tax liabilities		**447,910**	454,037
Total non-current liabilities		**3,645,301**	3,895,987
Net assets		**7,883,341**	7,674,119
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	**23,277**	23,277
Reserves		**7,873,487**	7,664,875
Non-controlling interests		**(13,423)**	(14,033)
Total equity		**7,883,341**	7,674,119

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Statutory reserve* RMB'000	Meger Reserve* RMB'000	Other Reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	23,277	2,372,982	108,373	1,413,201	(18,532)	25,370	(421,828)	5,183,337	8,686,180	(11,535)	8,674,645
Profit for the period	–	–	–	–	–	–	–	538,673	538,673	926	539,599
Cash flow hedges	–	–	–	–	–	4,691	–	–	4,691	–	4,691
Exchange differences on related to foreign operations	–	–	–	–	–	–	(151,998)	–	(151,998)	–	(151,998)
Total comprehensive income for the period	–	–	–	–	–	4,691	(151,998)	538,673	391,366	926	392,292
Equity-settled share-based transactions	–	–	(100)	–	–	–	–	100	–	–	–
At 30 June 2022 (unaudited)	23,277	2,371,982	108,273	1,413,201	(18,532)	30,061	(573,826)	5,722,110	9,077,546	(10,609)	9,066,937
At 1 January 2023 (audited)	**23,277**	**2,372,982**	**107,994**	**1,439,357**	**(18,532)**	**30,061**	**(726,565)**	**4,459,578**	**7,688,152**	**(14,033)**	**7,674,119**
Profit for the period	–	–	–	–	–	–	–	**323,548**	**323,548**	**610**	**324,158**
Exchange differences on related to foreign operations	–	–	–	–	–	–	**(114,936)**	–	**(114,936)**	–	**(114,936)**
Total comprehensive income for the period	–	–	–	–	–	–	**(114,936)**	**323,548**	**208,612**	**610**	**209,222**
Transfer from retained profits	–	–	–	**27,004**	–	–	–	**(27,004)**	–	–	–
Equity-settled share-based transactions	–	–	**(212)**	–	–	–	–	**212**	–	–	–
At 30 June 2023 (unaudited)	**23,277**	**2,372,982**	**107,782**	**1,466,361**	**(18,352)**	**30,061**	**(841,501)**	**4,756,334**	**7,896,764**	**(13,423)**	**7,883,341**

* These reserve accounts comprise the consolidated reserves of RMB7,873,487,000 (30 June 2022: RMB9,054,267,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	**Unaudited For the six months ended 30 June 2023 RMB'000**	Unaudited For the six months ended 30 June 2022 RMB'000
Operating activities			
Profit before tax		**485,115**	824,673
Adjustments for:			
Share of profits of joint ventures		**(113)**	–
Share of profits/(losses) of associates		**151**	(5,976)
Depreciation of property, plant and equipment	5(c)	**139,580**	133,558
Depreciation of right-of-use assets	5(c)	**90,264**	101,636
Amortisation of other intangible assets	5(c)	**31,119**	31,120
Fair value gains on financial assets at fair value through profit or loss	4(b)	**(36,643)**	–
Write-down of inventories to net realisable value	5(c)	**57,974**	27,036
Provision for impairment of trade receivables, finance lease receivables and other receivables	5(c)	**3,295**	(601)
Bank interest income	4(b)	**(6,224)**	(10,141)
Loss/(gain) on disposal of items of property, plant and equipment	4(b)	**3,480**	(374)
Finance costs	6	**295,537**	263,776
Gain from revision of a lease term arising from a change in the non-cancellable period of a lease		**–**	(522)
Gain on termination of lease		**(8,382)**	(614)
		1,055,153	1,363,571
Decrease in pledged deposits		**1,230,130**	1,457,441
Decrease/(increase) in cash in transit		**1,783**	(8,347)
Increase in trade receivables		**(31,917)**	(136,756)
Decrease in prepayments, deposits and other receivables		**827,777**	1,641,061
Increase in inventories		**(299,295)**	(1,007,556)
Decrease in trade and bills payables		**(2,711,604)**	(2,347,304)
Decrease in other payables and accruals		**(144,305)**	(242,135)
(Increase)/decrease in finance lease receivables		**(858)**	5,588
Increase in amounts due to related parties-trade related		**6,887**	2,461
Increase in amounts due from related parties-trade related		**(6,124)**	(3,893)
Cash (used in)/generated from operations		**(72,373)**	724,131
Income tax paid		**(32,274)**	(188,743)
Net cash (used in)/generated from operating activities		**(104,647)**	535,388

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited For the six months ended 30 June 2023 RMB'000	Unadited For the six months ended 30 June 2022 RMB'000
Investing activities		
Purchase of items of property, plant and equipment	**(268,504)**	(252,851)
Proceeds from disposal of items of property, plant and equipment	**174,236**	166,658
Purchase of intangible assets	**(1,415)**	(1,636)
Purchase of land use rights	**–**	(922)
Acquisition of equity investment	**(40,950)**	–
Disposal of subsidiaries	**3,080**	–
Interest received	**6,096**	8,805
Dividend received	**27,601**	–
Increase of term deposits of maturity over three months	**(25,000)**	–
Net cash used in investing activities	**(124,856)**	(79,946)
Financing activities		
Proceeds from interest-bearing bank and other borrowings	**3,310,051**	1,776,074
Repayment of interest-bearing bank and other borrowings	**(2,901,662)**	(2,039,022)
Principal portion of lease payments	**(62,544)**	(67,402)
Interest paid	**(162,018)**	(138,846)
Repayment of advances to related parties	**(374,117)**	(2,780,309)
Borrowings from related parties	**271,295**	2,162,875
Decrease/(increase) in pledged deposits for bank and other borrowings	**13,297**	(14,913)
Net cash generated from/(used in) financing activities	**94,302**	(1,101,543)
Net decrease in cash and cash equivalents	**(135,201)**	(646,101)
Cash and cash equivalents at the beginning of each period	**446,110**	1,701,133
Effect of foreign exchange rate changes, net	**13,787**	6,767
Cash and cash equivalents at the end of each period	**324,696**	1,061,799
Analysis of balances of cash and cash equivalents		
Cash and bank balances as stated in the statement of financial position	**399,695**	1,061,799
Short-term deposits with maturity over three months, not restricted as to use	**75,000**	–
Cash and cash equivalents as stated in the statement of cash flows	**324,695**	1,061,799

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2023

1. GENERAL INFORMATION

Grand Baoxin Auto Group Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 14 December 2011. On 21 June 2016, China Grand Automotive Services 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 of the Company (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 2023 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 2022.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, 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.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

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 2023, 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:

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Revenue from contracts with customers		
Sales of motor vehicles	**13,849,272**	12,864,646
After-sales services	**2,098,268**	1,764,654
Revenue from other sources		
Finance leasing services	**22,469**	21,068
	15,970,009	14,650,368

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

(a) Revenue (continued)

Revenue from contracts with customers

Disaggregated revenue information

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Types of goods or service		
Sale of motor vehicles	**13,849,272**	12,864,646
After-sales services	**2,098,268**	1,764,654
Total	**15,947,540**	14,629,300
Timing of revenue recognition		
Goods transferred at a point in time	**13,849,272**	12,864,646
Service rendered at a point in time	**2,098,268**	1,764,654
Total	**15,947,540**	14,629,300

(b) Other income and gains, net

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Commission income	**474,525**	370,266
Bank interest income	**6,224**	10,141
Advertisement support received from motor vehicle manufacturers	**8,742**	10,755
Gross rental income from investment property operating leases	**1,395**	1,393
Rental income form subleases*	**24,322**	31,307
Government grants**	**37,808**	47,267
(Loss)/gain on disposal of items of property, plant and equipment	**(3,480)**	374
Fair value gain on financial assets at fair value through profit or loss	**36,643**	–
Foreign exchange difference, net	**104,965**	125,961
Gain on termination of lease	**8,382**	614
Others	**2,378**	(4,092)
	701,904	593,986

* 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.

5. PROFIT BEFORE TAX

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

		Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
(a)	**Employee benefit expense (including Directors' and chief executive's remuneration)**		
	Wages and salaries	**388,497**	389,767
	Other welfare	**113,039**	116,357
		501,536	506,124
(b)	**Cost of sales and services**		
	Cost of sales of motor vehicles	**13,616,660**	12,236,476
	Others	**1,445,670**	1,077,867
		15,062,330	13,314,343
(c)	**Other items**		
	Depreciation of property, plant and equipment*	**139,580**	133,558
	Depreciation of right-of-use assets	**90,264**	101,636
	Amortisation of other intangible assets*	**31,119**	31,120
	Advertisement and business promotion expenses	**97,540**	115,241
	Auditor's remuneration	**3,050**	3,050
	Bank charges	**15,248**	10,999
	Foreign exchange difference, net	**(104,965)**	(125,961)
	Lease expenses*	**18,676**	13,224
	Logistics and gasoline expenses	**13,919**	26,190
	Office expenses	**7,304**	7,580
	Impairment of financial assets:		
	Impairment of trade receivables	**340**	1,510
	Impairment of financial assets included in prepayments, other receivables and other assets	**526**	(1,192)
	Impairment of financial lease receivables	**2,429**	(919)
	Write-down of inventories to net realisable value**	**57,974**	27,036
	Loss/(gain) on disposal of items of property, plant and equipment	**3,480**	(374)
	Gross rental income from investment properties	**(1,395)**	(1,393)
	Rental income from subleases	**(24,322)**	(31,307)
	Government grants	**(37,808)**	(47,267)
	Fair value gain on financial assets at fair value through profit and loss	**(36,643)**	–
	Gain on termination of lease	**(8,382)**	(614)
	Bank interest income	**(6,224)**	(10,141)

* 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.

6. FINANCE COSTS

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Interest on bank and other borrowings (including amounts due to related parties)	**262,703**	227,771
Incl: loan arrangement fee	**9,844**	20,324
Interest on lease liabilities	**32,834**	36,005
Total interest expense on financial liabilities not at fair value through profit or loss	**295,537**	263,776

7. INCOME TAX

	Unaudited For the six months ended 30 June 2023 RMB'000	Unaudited For the six months ended 30 June 2022 RMB'000
Current tax:		
Mainland China corporate income tax	**127,294**	216,908
Deferred tax	**33,663**	68,166
Total tax charge for the period	**160,957**	285,074

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 2022: 16.5%) during the period.

According to the Corporate Income Tax Law of the People's Republic of China ("**CIT Law**"), the uniform income tax rate is 25% (six months ended 30 June 2022: 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.

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2022: 2,837,511,429) in issue during the period.

The exercise price of the share option was higher than the martlet stock price. No share options were exercised during the period. Therefore, the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022

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

	Unaudited For the six months ended 30 June 2023	Unaudited For the six months ended 30 June 2022
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**323,548**	538,673
Shares		
Weighted average number of ordinary shares in issue during the period	**2,837,511,429**	2,837,511,429
Earnings per share		
Basic and diluted (RMB)	**0.11**	0.19

10. INVENTORIES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Motor vehicles	**3,145,327**	2,931,492
Spare parts and accessories	**378,980**	364,542
	3,524,307	3,296,034
Less: provision for inventories	**60,001**	73,049
	3,464,306	3,222,985

11. TRADE RECEIVABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade receivables	**520,930**	489,026
Impairment	**(4,459)**	(4,132)
	516,471	484,894

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:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Within 3 months	**435,084**	402,353
More than 3 months but less than 1 year	**46,723**	54,362
Over 1 year	**34,664**	28,179
	516,471	484,894

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2023		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	3.9-6.7	2024	1,975,889
– secured	3.7-7.2	2024	173,042
– unsecured	6.6	On demand	29,000
– unsecured	3.4-8.5	2024	203,688
– guaranteed **	SOFR*+3.5	On demand	760,879
– secured and guaranteed	3.7-7.1	2024	1,001,300
			4,143,798
Other borrowings			
– secured	7.0-8.5	2024	132,890
– secured and guaranteed	4.1-9.0	2024	1,256,070
– unsecured	6.2-7.9	2024	125,010
			1,513,970
			5,657,768
Non-current			
Bank borrowings			
– guaranteed	4.9	2025	138,283
– secured and guaranteed	4.8-5.5	2024-2026	376,000
– secured	4	2025	26,436
			540,719
			6,198,487

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

	Unaudited As at 31 December 2022		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	3.9-7.1	2023	2,280,312
– secured	3.7-7.2	2023	595,694
– unsecured	6.6	On demand	29,000
– unsecured	3.4-8.5	2023	163,529
– guaranteed	SOFR*+3.5	On demand	727,103
– secured and guaranteed	3.7-7.1	2023	352,000
			4,147,638
Other borrowings			
– guaranteed	5.3-8.9	2023	292,294
– secured	1.0-9.7	2023	91,437
– unsecured	5.1-11.0	2023	17,824
– unsecured	4.35	2023	29,285
– secured and guaranteed	7.0-9.0	2023	696,594
			1,127,434
			5,275,072
Non-current			
Bank borrowings			
– guaranteed	4.9	2024-2025	203,170
– secured	5.5-5.8	2024	243,805
			446,975
			5,722,047

* The secured overnight financing rate (SOFR)

** As at 30 June 2023 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 2023 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 in 2023. Based on the consent of majority lenders, the relevant financial requirement for the period end 30 June 2023 has been waived before 30 June 2023.

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade payables	**393,484**	405,903
Bills payable	**3,270,200**	5,969,385
Trade and bill payables	**3,663,684**	6,375,288

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:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Within 3 months	**2,842,775**	4,864,325
3 to 6 months	**707,330**	1,332,940
6 to 12 months	**100,671**	163,473
Over 12 months	**12,908**	14,550
	3,663,684	6,375,288

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

14. SHARE CAPITAL

	Unaudited 30 June 2023	Audited 31 December 2022
Shares		
Authorised:		
Ordinary shares	**5,000,000,000**	5,000,000,000
Issued and fully paid:		
Ordinary shares	**2,837,511,429**	2,837,311,429
Equivalent to RMB'000	**23,277**	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.

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.

15. SHARE OPTION SCHEME (continued)

	2023 Weighted average exercise price HK$ per share	Number of options
At 1 January	3.256	46,597,000
Forfeited during the period	3.256	
Exercised during the year	3.256	–
At 30 June		46,597,000

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 2023 are as follows:

Number of options	Exercise price HK$ per share	Exercise period
13,839,100	3.256	28-3-2019 to 27-3-2028
14,039,100	3.256	28-3-2020 to 27-3-2028
18,718,800	3.256	28-3-2021 to 27-3-2028

At of 30 June 2023, the Company had 46,597,000 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 46,597,000 additional ordinary shares of the Company and additional share capital of HK$466,000 and share premium of HK$151,254,000 (before issue expenses).

16. COMMITMENTS

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

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Contracted, but not provided for land use rights and buildings	9,799	3,543
Authorised, but not contracted for land use rights and buildings	14,521	1,200
	24,320	4,743

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 2023 RMB'000	Unaudited 30 June 2022 RMB'000
Purchase of goods:	(i)		
CGA and Companies controlled by CGA		**50,906**	19,525
Sales of goods:	(ii)		
CGA and Companies controlled by CGA		**10,938**	8,759
Other related parties		**–**	200
		10,938	8,959
Office rental income from:	(iii)		
CGA and Companies controlled by CGA		**1,611**	1,402
Office lease expenses paid or payable by:	(iv)		
CGA and Companies controlled by CGA		**3,040**	1,660
Commission charged by:	(v)		
Xinjiang Baoqian Motor Vehicle Auction Service Co., Ltd.		**–**	4,508

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties (continued)

	Notes	**Unaudited 30 June 2023 RMB'000**	Unaudited 30 June 2022 RMB'000
Service received from:	(vi)		
CGA and Companies controlled by CGA		**1,433**	2,247
Maanshan Aika Shangyun Information & Technology Co., Ltd.		**–**	190
		1,433	2,437
Interest expenses:	(vii)		
CGA and Companies controlled by CGA		**56,505**	53,554
Brazos Highland Holding LLC		**2,635**	1,715
		59,140	55,269
Repayment of borrowings from a related party:	(vii)		
CGA Limited		**301,976**	2,780,309
Brazos Highland Holding LLC		**72,141**	–
CGA Limited		**374,117**	2,780,309
Borrowings from related parties:	(viii)		
CGA and Companies controlled by CGA		**271,295**	2,028,648
Brazos Highland Holding LLC		**–**	134,227
		271,295	2,162,875
Payments on behalf of:			
Wuxi Kailong Real Estate Co., Ltd.		**551**	2,046

(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.

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 the ended 30 June 2023, the Company made repayment of RMB72,141,000 to Brazos Highland Holding LLC, controlled by Guanghui Energy Co., Ltd., a replated party of CGA.

(viii) As at the ended 30 June 2023, the Company borrowed a total of RMB271,295,000 from companies controlled by CGA. The loan will be due within one year and the interest rate was in line with the benchmark interest rate prescribed by the People's Bank of China.

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

(b) Other transaction with related parties:

The Company's ultimate holding company has guaranteed certain bank borrowings made to the Group of up to RMB9,421,700,000 as at the end of the reporting period (31 December 2022: RMB4,551,473,000).

(c) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2023:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Amounts due from related parties:		
Wuxi Kailong Real Estate Co., Ltd.	**34,314**	33,765
CGA and companies controlled by CGA	**9,360**	3,630
Xinjiang Grand Real Estate Development Co., Ltd.	**8,811**	8,811
Xinjiang Guanghui Coal Clean Refining & Chemical Co., Ltd.	**3,500**	3,555
Shanghai Rongzhi Catering Management Co., Ltd.	**95**	95
Shaanxi Huaxing new century automobile Service trade Co., Ltd.	**1**	–
Guanghui International Natural Gas Trading Co. LTD	**–**	101
	56,081	49,957

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Amounts due to related parties-current:		
CGA and companies controlled by CGA	**263,606**	6,543
Brazos Highland Holding LLC	**74,891**	139,288
Ziyang Qinyuan Machinery Manufacturing Co., Ltd.	**68**	80
Chongqing Shangbo Automobile Co., Ltd.	**–**	86
	338,565	145,997
Amounts due to a related party-non current:		
A company controlled by CGA	**1,630,779**	1,862,447

As at 30 June 2023, except for borrowings from Baoxin Auto Finance I Limited and CGA Limited, balances with related parties were unsecured and non-interest bearing, and had fixed repayment terms.

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

	Unaudited 30 June 2023 RMB'000	Unaudited 30 June 2022 RMB'000
Short term employee benefits	**1,738**	1,747
Total compensation paid to key management personnel	**1,738**	1,747

18. FINANCIAL INSTRUMENTS BY CATEGORY

The Group's financial assets were categorised into two groups: 1) financial assets at fair value through profit or loss – derivative financial instruments; 2) fair value 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 – equity investments and fair value at amortised cost as at 30 June 2023 were RMB125,999,000 and approximately RMB2,580,065,000 respectively (31 December 2022: RMB89,356,000 and RMB3,894,320,000 respectively).

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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 2023 were approximately nil and RMB13,241,335,000, respectively. (31 December 2022: nil and approximately RMB15,667,910,000, respectively).

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, 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 2023 was assessed to be insignificant.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000
Financial assets at fair value through profit or loss	–	–	125,999	125,999

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000
Financial assets at fair value through profit or loss	–	–	89,356	89,356

20. EVENT AFTER THE REPORTING PERIOD

There is no significant event undertaken by the Company or by the Group after 30 June 2023 and up to the date of this report.

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