



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

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

Stock Code 股份代號 : 1293

INTERIM REPORT 中期報告
2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. MA Fujiang (*Chairman*)
Mr. WANG Sheng (*President*)
Mr. DING Yu
Ms. XU Xing

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*)
Mr. MA Fujiang
Ms. LIU Yangfang

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. XU Xing

AUTHORISED REPRESENTATIVES

Mr. MA Fujiang
Ms. XU Xing

STOCK CODE

1293

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PRINCIPAL SHARE REGISTRAR

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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board of directors (the “**Board**”) 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 2024 (the “**Reporting Period**”).

In the first half of 2024, the domestic automotive market continued to experience the intense competition starting from 2023. Domestic demand growth was relatively slow, and the overall operation of the industry still faced significant pressure. In the phase of a saturated market, competition intensified, and the impact of the new energy wave became increasingly evident. The survival of the fittest became more pronounced, and supply imbalances further exacerbated price declines, making “price cuts to boost sales” the norm in the market. Overall, the first half of 2024 saw both growth and challenges, with the market undergoing unprecedented transformations and a reshuffling phase.

In terms of operation, the Group will continue to focus on the luxury car brand dealership business. At the same time, in response to the rapid development of the new energy vehicle market in recent years, the Group will explore opportunities in the new energy market through key luxury brands that offer new energy models. The Group will also further enhance the operational quality of its core traditional luxury brand stores, consolidating the long-standing advantages of the major luxury car brands it represents, particularly the BMW brand. Additionally, based on the different types of luxury car brands, the Group will develop differentiated business strategies, striving to improve the gross profit margins of various luxury brand models while maintaining stable new car sales volume.

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. In the face of increasingly intense competition in the automotive market, the Group will adhere to its corporate philosophy of “Service First” and closely follow market trends and adopt more focused, integrated, and robust operational strategies. By continuously optimizing its brand structure, enhancing the efficiency of individual stores, and ensuring stable after-sales services, the Group aims to achieve quality development. Looking ahead, we will continue to focus on various cost reduction and expense control efforts. While improving our profit structure and profitability, we will also ensure the healthy level of cash flow within the Group, achieving steady operations even in adverse conditions.

Yours sincerely,

MA Fujiang

Chairman

Hong Kong, 28 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2024, China's macroeconomic situation showed a generally stable and steady progress, with new advancements in high-quality development. According to data from the National Bureau of Statistics, China's GDP reached RMB61.7 trillion in the first half of the year, representing a year-on-year increase of 5.0%. Although the growth rate in the second quarter (4.7%) was lower than that of the first quarter, the fundamental conditions for the economy to maintain stable operation and a long-term positive trend have not changed.

As for the Chinese automotive industry, this half-year has undoubtedly been full of challenges and transformations. According to data released by the China Association of Automobile Manufacturers, during the period from January to June 2024, China's automobile production and sales reached 13.891 million units and 14.047 million units respectively, representing year-on-year increases of 4.9% and 6.1%. This data indicates that the Chinese automobile market maintained a stable growth trend in the first half of the year. Against this backdrop, domestic automakers have taken the lead in launching price wars, product wars, and category wars, making the Chinese automotive market exceptionally fierce. New models are being introduced to the market every month, and both the mainstream market and the niche market are experiencing a "cut-throat" state of competition.

Among which, the performance of new energy vehicles has been outstanding and they have exhibited unprecedented vitality and explosive growth. According to statistics, in the first six months of 2024, the production and sales of new energy vehicles reached 4.929 million units and 4.944 million units respectively, representing year-on-year increases of 30.1% and 32%, far exceeding the overall industry growth rate. The market share reached 35.2%. From January to June of this year, more than 228 new models were launched, with new energy vehicle models taking a dominant position. This has also led to the historic turning point where the sales and registration numbers of new energy vehicles surpassed those of fuel-powered vehicles in the first half of the year.

As for the traditional luxury car market in China in the first half of 2024, it can be said to be the most difficult first half in the past decade for the three major German luxury brands, namely Mercedes-Benz, BMW, and Audi (BBA) in the Chinese market. "Challenge", "fierce competition", and "market shrinkage" are common words used by the three companies to describe the Chinese market. From the market perspective, BBA's sales and operating performance in the Chinese market have seen rare collective declines. This is due to the impact of the price war and the changing market landscape on the entire luxury car market.

In the first half of 2024, the traditional first-tier luxury car brand known as BBA was unable to succeed with a strategy of price for volume in China's market, while the keywords closely associated with it have shifted from luxury and premium to discounts and price cuts. BMW's global cumulative sales volume reached 1.096 million units in the first half of the year, a 2.3% year-on-year increase, but declined by 4.2% to 375,900 units in China's market. Mercedes-Benz's global total sales volume decreased 6%, with a cumulative delivery of 960,000 units, in which deliveries in China exceeded 352,600 units, a decrease of 24,600 units compared to the corresponding period of last year. Audi's total sales volume decreased 8% to 833,000 units in the first half of the year. Porsche's global total sales volume decreased 7% to 155,900 units in the first half of the year, with a particularly significant decline of one-third in China's market.

In stark contrast to the performance decline of the "BBA" brands, Chinese brands like Nio, Seres and AITO, which have entered the luxury car market, have maintained a better development momentum. Brands like Nio, Seres and AITO are accelerating their expansion in the luxury car market. Data shows that Nio's cumulative sales in the first half of 2024 reached 87,426 units, representing a year-on-year increase of 60.2%; Seres and AITO's cumulative sales in the first half of the year reached 41,457 units, representing a year-on-year increase of 631.42%. The strong emergence of Chinese brands has had a significant impact on the "BBA" brands.

MANAGEMENT DISCUSSION AND ANALYSIS

Against this backdrop, the long-established luxury car brand value is being ruthlessly damaged by the “price war” that has breached the bottom line. BMW China has realised that even a price reduction of hundreds of thousands will not resolve the dilemma in sales volume. Therefore, after reaching the low price, it has started to turn back and cut its losses in time. As the first half of the year ended, BMW China decided to withdraw from the nearly year-long “price cuts to maintain market share” strategy and to exit the “price war”. Since July, it has focused on various methods to stabilise prices and alleviate the operational pressure on its stores, and planned to shift its focus in the second half of the year to business quality in China’s market, supporting its dealers to build a steady and solid foundation.

BUSINESS OVERVIEW

During the period for the six months ended 30 June 2024 (the “**Reporting Period**”), as the major dealer of luxury brand passenger vehicles in China, the Group always adhered to the principle of “Service First”. Due to the huge impact of the price war in the market and changes in the market structure, the Group also actively improved the services quality for its various businesses, 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 RMB12,983.0 million, representing a year-on-year decrease of 18.7%; gross profit amounted to RMB59.8 million, representing a year-on-year decrease of 93.4%; loss attributable to owners of the parent amounted to RMB62.9 million, representing a year-on-year decrease of 119.5%, and loss per share recorded of RMB0.02 (six months ended 30 June 2023: earning per share of RMB 0.11).

New automobile sales

During the Reporting Period, the Group sold a total of 39,006 units of new automobiles, representing a decrease of 8.9% compared to the corresponding period in 2023, and the Group recorded new automobile sales revenue of RMB10,909.5 million, representing a decrease of 21.2% compared to the corresponding period in 2023. The sales volume of luxury and ultra-luxury cars was 33,582 units, representing a decrease of 2,810 units compared to the corresponding period in 2023, and such sales revenue reached RMB10,318.6 million, representing a decrease of 20.8% compared to the corresponding period in 2023 and accounted for 94.6% of new automobile sales revenue. In the first half of 2024, the overall gross profit margin of new automobiles of the Group was -5.7%, representing a decrease of 7.4 percentage points when compared to the overall gross profit margin of new automobiles of 1.7% in the corresponding period in 2023.

Since the beginning of 2024, there has been an ongoing price war in the new car market. Multiple OEMs have participated in the price war through various methods such as direct price cuts, granting benefits, guaranteed buyback schemes, etc. In this price war, some models have seen surprisingly large price drops, and luxury brands such as BMW, Mercedes-Benz, and Audi have also joined the price reduction trend with their new energy vehicle models. Furthermore, as new energy vehicle technology continues to mature and consumer acceptance increases, the new energy vehicle market has risen rapidly, creating fierce competition with the traditional fuel-powered vehicle market. Under the influence of these objective factors, the Group’s new car sales volume and new car gross profit margin have faced unprecedented great challenges.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group has taken the following measures to minimise the adverse impact on its new car sales business on a best effort basis. Firstly, the Company has increased its sales efforts for new energy vehicle models from the luxury automotive brands it represents, in order to adapt to market changes. Secondly, it has utilized big data and AI technologies to enhance customer experience and improve service efficiency. Thirdly, it has strengthened the integration of online and offline sales models and has reinforced the construction and operation of online channels, achieving seamless online-offline connectivity to enhance sales performance. Finally, it has strengthened the integration of resources and business synergies among different brand stores within the same region, in order to maximize the benefits from brand manufacturer policy rebates. At the same time, the Group has closely monitored market dynamics and changes in manufacturer policies, and has promptly adjusted its operational strategies and business layouts accordingly.

After-sales services

During the Reporting Period, the revenue of after-sales services was RMB2,056.1 million, representing a decrease of 2.0% compared to the corresponding period in 2023, accounting for 15.8% of the total revenue of the Group. The gross profit of after-sales services was RMB672.2 million, and the gross profit margin of after-sales services was 32.7%.

During the Reporting Period, the Group has taken the following measures to ensure the stability of its after-sales service business:

- Professional repair technicians: Establishing a team of skilled repair technicians, continuously enhancing their repair capabilities and service standards, and ensuring efficient and precise repair services for customers, to improve repair efficiency and quality.
- Customer experience optimisation: Focusing on the customer experience during the after-sales repair process, providing convenient appointment services, transparent repair quotations, and comfortable waiting areas, to enhance customer satisfaction and loyalty.
- Expansion of value-added services: Expanding value-added services including extended warranty, car detailing, and upgrade services to meet diverse customer needs and enhance the added value of its after-sales offerings based on our basic repair services.

Derivative business

During the Reporting Period, due to the sales of new automobile business being affected, 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 RMB796.1 million, representing an increase of 67.8% compared to the corresponding period in 2023.

- **Automobile finance business**

During the Reporting Period, the Group's automobile finance business recorded a commission income of RMB642.8 million, representing an increase of 111.6% from RMB303.8 million in the corresponding period of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

With the increase in automobile ownerships and diversification of consumer demands, the market of automobile finance business has been expanding, which is an important force to drive the development of the automobile industry and the financial market. During the Reporting Period, due to its scale advantage, the Group actively engaged in policy negotiations with factories, financial institutions and banking institutions with respect to key brands and key regions. It aimed to optimize the product structure and expand cooperation routes. The Group also strengthened its cooperation with internet car leasing platforms to enhance its differentiated competitiveness. Furthermore, on the premise of emphasizing risk prevention and control and consumer rights protection, we have improved business quality management and effectively extended the number of financial product periods. This has allowed customers to enjoy the high-quality financial products while also significantly increasing their stickiness with the stores.

- **Secondhand automobile business**

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 reduce transactional costs and strengthen brand construction. During the Reporting Period, 6,561 units of secondhand automobiles were transacted, representing a year-on-year decrease of 16.0%.

In the first half of 2024, the secondhand automobile market experienced fluctuations under challenges such as the price war of new automobiles and changing demands. However, with the change of consumers' values of automobile consumption and the increase of automobile ownership, it is expected that the market demand of secondhand automobiles will continue to grow. At the same time, the rapid development of the new energy car market will also create new growth drivers for the secondhand automobile market.

- **Insurance business**

During the Reporting Period, the scale of our insurance business remained stable. The commission income of the Group's insurance business was RMB137.1 million, representing an increase of 6.4% as compared to that of RMB128.8 million in the first half of 2023. The commission income from extended warranty business was RMB93.7 million as compared to RMB90.8 million recorded in the first half of 2023.

During the Reporting Period, the Group has enhanced the scale and quality of the insurance renewal and non-auto insurance businesses. The Group strengthened communication and cooperation with the insurance companies to secure policy support in various aspects. By offering customers one-stop service, we connected the customers' servicing requirements to the whole vehicle life cycle, thus supporting the sales and after-sales of passenger cars business.

Network layout

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

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, 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, enhanced the concentration on high-quality brands and eliminated weaker brands and operating stores, focused on the improvement on management optimization and operational efficiency of its existing stores. The capital expenditure of the Company was reduced while the efficiency of capital usage was further enhanced.

As at 30 June 2024, the Group owned a total of 98 automobile dealership network and service stores and 9 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, under pressure from the external environment, the Group regularly focused on the improvement of operational efficiency, and further strengthened internal refined and flattened management. The Group implemented the construction of a financial management center and a fund management center to unify the indicators of each 4S operating store, improve the analysis and management of costs and expenses, track fixed and variable costs dynamically and strengthen the control of costs. Also, the financial and capital resource sharing mechanisms of each store have been improved to save duplicate expenses, enhance collaborative sharing effects, and promote platforms in each functional department to achieve the goal of reducing costs and increasing efficiency.

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

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, our revenue was RMB12,983.0 million, representing a decrease of approximately 18.7% as compared to the same period in 2023. There is a decrease of RMB2,939.7 million or 21.2% 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 2023.

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 2024		Unaudited For the six months ended 30 June 2023	
	Revenue (RMB'000)	Contribution (%)	Revenue (RMB'000)	Contribution (%)
Automobile sales	10,909,542	84.1	13,849,272	86.8
After-sales services	2,056,103	15.8	2,098,268	13.1
Finance leasing services	17,356	0.1	22,469	0.1
Total	12,983,001	100.0	15,970,009	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Automobile sales generated a substantial portion of our revenue, accounting for 84.1% of our total revenue for the six months ended 30 June 2024. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 94.6% (for the six months ended 30 June 2023: 94.0%) and 5.4% (for the six months ended 30 June 2023: 6.0%), respectively, of our revenue from the sales of automobiles. The decrease of revenue from the sales of automobiles of RMB2,939.7 million was mainly attributable to the new car price wars which have become a normalized feature in the automobile industry during the first half of 2024, influenced by factors such as market supply and demand, automobile companies' competitive strategies, technological advancements, and evolving consumer preferences, which led to a decline in payroll and revenue of the new automobile sales business of the Group.

Revenue from our after-sales services decreased by 2.0% from RMB2,098.3 million for the six months ended 30 June 2023 to RMB2,056.1 million for the same period in 2024. The relevant contribution of our after-sales services to our revenue increased from 13.1% for the six months ended 30 June 2023 to 15.8% for the same period in 2024. 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 2024, our cost of sales and services decreased by 14.2%, from RMB15,062.3 million for the same period in 2023 to RMB12,923.2 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB11,534.9 million for the six months ended 30 June 2024, representing a decrease of RMB2,081.8 million, or 15.3%, as compared to the same period of 2023. The cost of sales and services attributable to our after-sales services amounted to RMB1,383.9 million for the six months ended 30 June 2024, representing a decrease of RMB56.0 million, from RMB1,439.9 million for the same period in 2023.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2024 was RMB59.8 million, representing a decrease of RMB847.9 million, or 93.4%, from the same period in 2023. Gross profit from automobile sales decreased by 368.9% from RMB232.6 million for the six months ended 30 June 2023 to RMB-625.4 million for the same period in 2024. The decline in new automobile sales was mainly due to the rapid rise of the new energy vehicle market which has led to fierce competition with the traditional fuel vehicle market, at the same time, various automobile brands have participated in the price war and 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 increased by 2.1% from RMB658.4 million for the six months ended 30 June 2023 to RMB672.2 million for the same period in 2024.

Gross profit margin for the six months ended 30 June 2024 was 0.5% as compared to 5.7% of the same period last year, of which the gross profit margin of automobile sales was -5.7%, representing a decrease as compared with the gross profit margin of 1.7% of the same period last year, which was mainly attributable to the fierce market competition and frequent price wars. Brand OEMs and automobile dealers across various brands resorted to price cuts to vie for market share, resulting in a decline in profitability. New automobile sales have incurred losses with a fierce competition in the price of various brand models. The gross profit margin of after-sales services recorded an increase to 32.7% as compared to 31.4% of the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and net gains

Other income and net gains increased by 37.8% from RMB701.9 million for the six months ended 30 June 2023 to RMB967.0 million for the same period in 2024. The increase was mainly attributable to the enriching variety of derivative service products by the Group and increasing commission income of these service during the Reporting Period.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2024 decreased by 66.5% from RMB780.7 million in the same period last year to RMB261.3 million for the six months ended 30 June 2024.

Loss for the period

As a result of the foregoing, our loss for the six months ended 30 June 2024 was RMB63.5 million as compared with a profit of RMB324.2 million for the six months ended 30 June 2023.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2024, our cash and bank balances amounted to RMB159.7 million, representing a decrease of 13.8% from RMB185.3 million as at 31 December 2023. 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 2024, our net cash generated from operating activities, net cash used in investing activities, and net cash used in financing activities were RMB943.2 million (for the six months ended 30 June 2023: RMB104.6 million used), RMB26.6 million (for the six months ended 30 June 2023: RMB124.9 million used), and RMB940.6 million (for the six months ended 30 June 2023: RMB94.3 million generated), respectively.

Net current assets

As at 30 June 2024, we had net current assets of RMB3,492.0 million, representing a decrease of RMB170.6 million from RMB3,662.6 million as at 31 December 2023.

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 2024, our total capital expenditure was RMB228.9 million (for the six months ended 30 June 2023: RMB268.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB2,354.7 million as at 30 June 2024, representing a 34.2% decrease from RMB3,577.7 million as at 31 December 2023, and our average inventory turnover days increased from 39.2 days at 31 December 2023 to 41.3 days for the six months ended 30 June 2024, which was mainly due to the Group's reasonable adjustments to its inventory level in order to cope with the price war of the new automobiles market and to mitigate the effects brought by the fluctuations in the sales volume of new automobiles.

Interest-bearing bank and other borrowings

As at 30 June 2024, the Group's available and unutilised banking facilities amounted to approximately RMB5,632.4 million (as at 31 December 2023: RMB6,887.8 million).

Our interest-bearing bank and other borrowings as at 30 June 2024 were RMB5,408.0 million, representing a decrease of RMB608.5 million from RMB6,016.5 million as at 31 December 2023.

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 (OEMs) and is subject to significant influence brought by the automobile suppliers (OEMs). The Group's rights in relation to the operation of sales network, 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 (OEMs). If the financial conditions and operating results of the automobile suppliers (OEMs) fluctuate, such automobile suppliers (OEMs) 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 (OEMs) based on the Group's adjustment of business strategy or on other reasons. If any of the aforementioned situation occurs, the Group's business and operating conditions may be affected. In order to manage the above-mentioned business risks that the Group is exposed to, the Group will achieve cooperative and win-win relationship by enhancing friendly communication with automobile manufacturers.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2024 was 58.4% (as at 31 December 2023: 62.1%).

Human resources

As at 30 June 2024, the Group had approximately 6,129 employees (as at 30 June 2023: 6,568). Total staff costs for the six months ended 30 June 2024, excluding directors' remuneration, were approximately RMB478.7 million (for the six months ended 30 June 2023: RMB499.8 million).

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

Contingent liabilities

As at 30 June 2024 and 31 December 2023, 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 2024, the pledged group assets amounted to approximately RMB2,824.5 million (as at 31 December 2023: RMB4,866.3 million).

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

Save as disclosed in the 2023 annual report of the Company, there is no other change in the composition of the Board or change in the director's biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2024 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Changes since 31 December 2023

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 2023.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 12 August 2024, Hangzhou Baoxin Automobile Sales and Services Co., Ltd.* (杭州寶信汽車銷售服務有限公司, a wholly-owned subsidiary of the Company) as vendor ("**Vendor**") entered into an equity transfer agreement with Zhejiang Guotian Clothing Co., Ltd.* (浙江國田服飾有限公司, an independent third party) as purchaser (the "**Purchaser**"), pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interests in Hangzhou Baoxin Enterprise Co., Ltd.* (杭州寶信置業有限公司, a wholly-owned subsidiary of the Company) for a total consideration of RMB133.0 million. For details of the transaction, please refer to the announcement of the Company dated 12 August 2024 and the circular of the Company dated 26 August 2024.

FUTURE OUTLOOK AND STRATEGIES

Outlook

The automotive consumption market has always played a pivotal role in our national economy, and it is of great significance for boosting domestic consumption, stabilizing the industrial sector, and promoting economic development in China. The 2024 Chinese Government Work Report has set forth clear development goals and policy measures for the automotive industry, aiming to facilitate stable growth in automotive consumption and drive the high-quality development of the automotive industry.

In terms of the principal business, the Group will also keep up with market trends, particularly in the context of the significant transformation in China's passenger car market. We will pay close attention to the evolving trends of each brand, especially the core brands distributed by us. Anchored by our 4S stores, we are steadfast in focusing on new automobile sales, after-sales repair, and the ancillary businesses derived from these core activities, to solidify the strategic foundation of our core operations. While maintaining our focus on distribution of luxury brands, we are exploring cooperation models with OEMs in the new energy vehicle sector, optimising our sales portfolio and diversifying our business structure to achieve multi-layered diversification. This will strengthen our service capabilities and continuously enhance our market competitiveness.

In terms of management, the Group will improve its internal work processes and shortcomings by tapping into its internal potential. It will enable the Group to better cope with the various risks and challenges arising from the accelerated phase-out of the industry. Also, the Group is committed to ensuring effective control and management of every operational process.

Looking forward, China's passenger car market will still be affected by multi factors such as market environment, technological innovation, changes in consumer demand, and policy orientation. In order to remain invincible in the fiercely competitive market, the Group will always focus on the core areas of its principal business and continue to develop innovative business models and service approaches in the future with a more open and inclusive attitude in facing the development and changes of the automobile consumption market. Meanwhile, the Group will adhere to the distribution and services of traditional luxury automobile brands with the goal of providing high-quality services and a focus on achieving its healthy, sustainable and stable long-term development, striving to become a luxury brand 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 14 December 2021 and according to the terms of the Share Option Scheme, no further options are available for grant since that expired date. As such, the number of options available for grant under Share Option Scheme at the beginning and the end of the six months ended 30 June 2024 is nil.

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 30 June 2024 divided by the weighted average number of shares in issue for the six months ended 30 June 2024 is 1.64%.

Movements of option shares under the Share Option Scheme during the six months ended 30 June 2024 were as follows:

					Number of shares options						
	Date of grant	Exercise price per share	Exercise period		Vesting period	Outstanding as at 01/01/2024	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30/06/2024
			from	until	(Notes)						
(i) Directors											
WANG Sheng	28/03/2018	3.256 (iv)	28/03/2018	27/03/2028	(i) (ii) (iii)	90,000	–	–	–	–	90,000
XU Xing	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)	44,707,000	–	–	–	–	44,707,000
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) 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, 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 C3 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
WANG Sheng	Beneficial owner	–	90,000(L)	0.00%
XU Xing	Beneficial owner	–	1,800,000(L)	0.06%

Notes:

(1) These underlying shares were unlisted option shares granted pursuant to the Share Option Scheme, particulars of which are set out in the section headed “Share Option Scheme” in this interim report.

(2) The letter “L” denotes the person's long position in such shares.

Save as disclosed above, as at 30 June 2024, 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 2024, 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 2024, none of the Directors (including their respective spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2024, 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 ⁽⁵⁾	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) ⁽²⁾	Beneficial interest	1,945,334,071(L)	68.56%
*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	1,945,334,071(L)	68.56%
Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) ⁽¹⁾	Interest in controlled corporation	1,945,334,071(L)	68.56%
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	1,945,334,071(L)	68.56%
Xinjiang Guanghui Industry Investment Group Co., Ltd. (" Xinjiang Guanghui ") (新疆廣匯實業投資(集團)有限責任公司) ⁽¹⁾	Interest in controlled corporation	1,945,334,071(L)	68.56%
Sun Guangxin 孫廣信	Interest in controlled corporation	1,945,334,071(L)	68.56%
Baoxin Investment Management Ltd. ⁽³⁾	Beneficial interest	219,379,630 (L)	7.73%
M Asia Holding Limited ⁽³⁾	Interest in controlled corporation	219,379,630 (L)	7.73%
TMF (Cayman) Ltd. ⁽³⁾	Trustee interest	219,379,630 (L)	7.73%
Yang Chu Yu ⁽⁴⁾	Founder of a discretionary trust who can influence how the trustee exercises his discretion	219,379,630 (L)	7.73%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) CGA HK is wholly-owned by Shanghai Huiyong Automotive Distribution Co., Ltd. (上海匯湧汽車銷售有限公司) (which is in turn owned as to approximately 44.23% by CGA Limited and approximately 55.77% by CGA). CGA Limited is wholly-owned by CGA. CGA is owned as to approximately 32.47% by Xinjiang Guanghui. Xinjiang Guanghui is owned as to approximately 50.06% by Mr Sun Guangxin. Each of CGA Limited, Shanghai Huiyong Automotive Distribution Co., Ltd., CGA Xinjiang Guanghui and Mr. Sun Guangxin are deemed to be interested in the shares held by CGA HK.
- (2) On 20 June 2024, CGA HK pledged 851,253,428 shares of the Company held by it to a third-party lender for guaranteeing the loan to CGA Limited.
- (3) 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.
- (4) 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.
- (5) 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 2024.

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 2024 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 C1 to the Listing Rules.

In the opinion of the Directors, during the six months ended 30 June 2024, 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 C3 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 2024.

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 2024 and are of the view that the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 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 (including sale of treasury shares) during the six months ended 30 June 2024 and up to the date of this interim report. As at 30 June 2024, there were no treasury shares held by the Company.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2024, 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 2024, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

INTERIM DIVIDEND

Based on the Group's development plan, and taking into comprehensive consideration factors such as the current macroeconomic environment, the Company's business operations status, and the future capital requirements for development, the Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
REVENUE	4(a)	12,983,001	15,970,009
Cost of sales and services provided	5(b)	(12,923,178)	(15,062,330)
Gross profit		59,823	907,679
Other income and gains, net	4(b)	967,035	701,904
Selling and distribution expenses		(500,264)	(530,861)
Administrative expenses		(265,290)	(298,032)
Profit from operations		261,304	780,690
Finance costs	6	(256,507)	(295,537)
Share of profits and losses of:			
Joint ventures		(1,451)	113
Associates		(3,768)	(151)
(Loss)/profit before tax	5	(422)	485,115
Income tax expense	7	(63,065)	(160,957)
(Loss)/profit for the period		(63,487)	324,158
Attributable to:			
Owners of the parent		(62,943)	323,548
Non-controlling interests		(544)	610
		(63,487)	324,158
(Loss)/earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For (loss)/profit for the period (RMB)	9	(0.02)	0.11

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
(Loss)/profit for the period	(63,487)	324,158
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(26,642)	(114,936)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(26,642)	(114,936)
Other comprehensive loss for the period, net of tax	(26,642)	(114,936)
Total comprehensive (loss)/income for the period	(90,129)	209,222
Attributable to:		
Owners of the parent	(89,585)	208,612
Non-controlling interests	(544)	610
	(90,129)	209,222

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2024

	Notes	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		3,159,588	3,266,678
Investment properties		415,535	358,031
Right-of-use assets		1,232,077	1,298,534
Other intangible assets		1,158,182	1,187,541
Prepayments and deposits		69,379	72,220
Finance lease receivables		88,259	89,301
Goodwill		1,143,416	1,143,416
Investments in joint ventures		95,945	97,396
Investments in associates		119,540	123,308
Deferred tax assets		316,257	352,947
Total non-current assets		7,798,178	7,989,372
CURRENT ASSETS			
Inventories	10	2,354,660	3,577,652
Trade receivables	11	813,463	764,120
Finance lease receivables		100,857	120,503
Prepayments, other receivables and other assets		8,772,960	8,851,167
Amounts due from related parties	17(c)	77,375	94,444
Equity investments at fair value through profit or loss		188,213	134,569
Pledged deposits		830,254	1,371,384
Cash in transit		4,803	4,437
Cash and cash equivalents		159,652	185,274
Total current assets		13,302,237	15,103,550

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

For the six months ended 30 June 2024

	Notes	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	4,903,873	5,519,790
Trade and bills payables	13	2,818,225	3,843,580
Other payables and accruals		844,808	1,008,371
Lease liabilities		122,851	90,787
Amounts due to related parties	17(c)	509,431	332,138
Income tax payable		611,011	646,314
Total current liabilities		9,810,199	11,440,980
NET CURRENT ASSETS		3,492,038	3,662,570
TOTAL ASSETS LESS CURRENT LIABILITIES		11,290,216	11,651,942
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	504,130	496,718
Other payables		342	334
Lease liabilities		891,342	946,947
Deferred tax liabilities		397,093	428,062
Amounts due to a related party	17(c)	1,852,137	2,044,580
Total non-current liabilities		3,645,044	3,916,641
Net assets		7,645,172	7,735,301
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	23,277	23,277
Reserves		7,648,126	7,737,711
		7,671,403	7,760,988
Non-controlling interests		(26,231)	(25,687)
Total equity		7,645,172	7,735,301

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital RMB'000	Share premium* RMB'000	Share option reserve* RMB'000	Statutory reserve* RMB'000	Mege 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 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	(18,532)	30,061	(841,501)	4,756,334	7,896,764	(13,423)	7,883,341
At 1 January 2024 (audited)	23,277	2,372,982	107,994	1,495,648	(18,532)	30,061	(779,476)	4,529,034	7,60,988	(25,687)	7,735,301
Loss for the period	-	-	-	-	-	-	-	(62,943)	(62,943)	(544)	(63,487)
Exchange differences on related to foreign operations	-	-	-	-	-	-	(26,642)	-	(26,642)	-	(26,642)
Total comprehensive loss for the period	-	-	-	-	-	-	(26,642)	(62,943)	(89,585)	(544)	(90,129)
Transfer from retained profits	-	-	-	30,088	-	-	-	(30,088)	-	-	-
At 30 June 2024 (unaudited)	23,277	2,372,982	107,994	1,525,736	(18,532)	30,061	(806,118)	4,436,003	7,671,403	(26,231)	7,645,172

* These reserve accounts comprise the consolidated reserves of RMB 7,648,126,000 (30 June 2023: RMB 7,873,487,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
Operating activities			
(Loss)/profit before tax		(422)	485,115
Adjustments for:			
Share of losses/(profits) of joint ventures		1,451	(113)
Share of losses of associates		3,768	151
Depreciation of property, plant and equipment	5(c)	135,019	139,580
Depreciation of right-of-use assets	5(c)	88,567	90,264
Amortisation of other intangible assets	5(c)	29,359	31,119
Fair value gain on financial assets at fair value through profit and loss	4(b)	(52,499)	(36,643)
Write-down of inventories to net realisable value	5(c)	93,785	57,974
Provision for impairment of trade receivables, finance lease receivables and other receivables	5(c)	3,574	3,295
Bank interest income	4(b)	(3,583)	(6,224)
Loss on disposal of items of property, plant and equipment	4(b)	5,180	3,480
Finance costs	6	256,507	295,537
Fair value gain on investment properties		(57,503)	–
Gain on disposal of items of intangible assets		(495)	–
Gain on termination of lease		(2,180)	(8,382)
		500,528	1,055,153
Decrease in pledged deposits		528,808	1,230,130
(Increase)/decrease in cash in transit		(366)	1,783
Increase in trade receivables		(52,720)	(31,917)
Decrease in prepayments, deposits and other receivables		8,439	827,777
Decrease/(increase) in inventories		1,129,207	(299,295)
Decrease in trade and bills payables		(1,025,355)	(2,711,604)
Decrease in other payables and accruals		(159,928)	(144,305)
Decrease/(increase) in finance lease receivables		20,296	(858)
(Decrease)/increase in amounts due to related parties-trade related		52,752	6,887
Decrease/(increase) in amounts due from related parties-trade related		17,069	(6,124)
Cash generated from/(used in) operations		1,018,730	(72,373)
Income tax paid		(75,568)	(32,274)
Net cash generated from/(used in) operating activities		943,162	(104,647)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
Investing activities		
Purchase of items of property, plant and equipment	(226,666)	(268,504)
Proceeds from disposal of items of property, plant and equipment	195,736	174,236
Purchase of intangible assets	(329)	(1,415)
Proceeds from disposal of intangible assets	824	–
Acquisition of equity investment	–	(40,950)
Disposal of subsidiaries	–	3,080
Interest received	3,801	6,096
Dividend received	–	27,601
Increase of term deposits of maturity over three months	–	(25,000)
Net cash used in investing activities	(26,634)	(124,856)
Financing activities		
Proceeds from interest-bearing bank and other borrowings	3,244,740	3,310,051
Repayment of interest-bearing bank and other borrowings	(3,894,587)	(2,901,662)
Principal portion of lease payments	(42,467)	(62,544)
Interest paid	(134,287)	(162,018)
Repayment of advances to related parties	(171,252)	(374,117)
Borrowings from related parties	44,924	271,295
Decrease in pledged deposits for bank and other borrowings	12,322	13,297
Net cash generated (used in)/from financing activities	(940,607)	94,302
Net decrease in cash and cash equivalents	(24,079)	(135,201)
Cash and cash equivalents at the beginning of each period	185,278	446,110
Effect of foreign exchange rate changes, net	(1,547)	13,787
Cash and cash equivalents at the end of each period	159,652	324,696
Analysis of balances of cash and cash equivalents		
Cash and bank balances as stated in the statement of financial position	159,652	399,696
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	159,652	324,696

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

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 China Grand Automotive Services Group Co., Ltd. (“**CGA**”).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

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 2024, 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 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
Revenue from contracts with customers		
Sales of motor vehicles	10,909,542	13,849,272
After-sales services	2,056,103	2,098,268
Revenue from other sources		
Finance leasing services	17,356	22,469
Total	12,983,001	15,970,009

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

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

(a) Revenue (continued)

Disaggregated revenue information for revenue from contracts with customers

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
Types of goods or service		
Sale of motor vehicles	10,909,542	13,849,272
After-sales services	2,056,103	2,098,268
Total	12,965,645	15,947,540
Timing of revenue recognition		
Goods transferred at a point in time	10,909,542	13,849,272
Service rendered at a point in time	2,056,103	2,098,268
Total	12,965,645	15,947,540

(b) Other income and gains, net

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
Commission income	796,072	474,525
Bank interest income	3,583	6,224
Advertisement support received from motor vehicle manufacturers	11,395	8,742
Gross rental income from investment property operating leases*	7,257	1,395
Rental income from subleases	10,872	24,322
Government grants**	17,634	37,808
Loss on disposal of items of property, plant and equipment	(5,180)	(3,480)
Fair value gain on financial assets at fair value through profit and loss	52,499	36,643
Gain on disposal of items of intangible assets	495	–
Fair value gain on investment properties	57,503	–
Foreign exchange difference, net	21,546	104,965
Gain on termination of lease	2,180	8,382
Others	(8,821)	2,378
Total	967,035	701,904

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

5. LOSS/(PROFIT) BEFORE TAX

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

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
(a) Employee benefit expense (including Directors' and chief executive's remuneration)		
Wages and salaries	386,798	388,497
Other welfare	93,552	113,039
Total	480,350	501,536
(b) Cost of sales and services		
Cost of sales of motor vehicles	11,534,902	13,616,660
Others	1,388,276	1,445,670
Total	12,923,178	15,062,330
(c) Other items		
Depreciation of property, plant and equipment*	135,019	139,580
Depreciation of right-of-use assets***	88,567	90,264
Amortisation of other intangible assets*	29,359	31,119
Advertisement and business promotion expenses	78,292	97,540
Auditor's remuneration	3,050	3,050
Bank charges	13,329	15,248
Foreign exchange differences, net	(21,546)	(104,965)
Lease payment not included in the measurement of lease liabilities*	21,072	18,676
Logistics and petroleum expenses	15,865	13,919
Office expenses	6,463	7,304
Impairment of financial assets:		
Impairment of trade receivables	3,377	340
Impairment of financial assets included in prepayments, other receivables and other assets	(195)	526
Impairment of financial lease receivables	392	2,429
Write-down of inventories to net realisable value**	93,785	57,974
Loss on disposal of items of property, plant and equipment	5,180	3,480
Gross rental income from investment properties	(7,257)	(1,395)
Rental income from subleases	(10,872)	(24,322)
Government grants	(17,634)	(37,808)
Fair value gain on financial assets at fair value through profit and loss	(52,499)	(36,643)
Gain on disposal of items of intangible assets	(495)	–
Fair value gain on investment properties	(57,503)	–
Gain on termination of lease	(2,180)	(8,382)
Bank interest income	(3,583)	(6,224)

* The amount of these depreciation of property, plant and equipment, amortisation of other intangible assets and lease payment not included in the measurement of lease liabilities 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.

*** The amount of depreciation of right-of-use assets is included in "cost of sales and services provided", "selling and distribution expenses", "administrative expenses" and "other income and gains, net" in the condensed consolidated interim statement of profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

6. FINANCE COSTS

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
Interest on bank and other borrowings (including amounts due to related parties)	228,642	262,703
Incl: loan arrangement fee	7,878	9,844
Interest on lease liabilities	27,865	32,834
Total interest expense on financial liabilities not at fair value through profit or loss	256,507	295,537

7. INCOME TAX

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
Current tax:		
Mainland China corporate income tax	57,344	127,294
Deferred tax	5,721	33,663
Total tax charge for the period	63,065	160,957

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 2023: 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 2023: 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 2024 (six months ended 30 June 2023: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share amount is based on the (loss)/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 2023: 2,837,511,429) in issue during the period.

The exercise price of the share option was higher than the market 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 2024 and 2023.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Unaudited For the six months ended 30 June 2024 RMB'000	Unaudited For the six months ended 30 June 2023 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent (RMB'000)	(62,943)	323,548
Shares		
Weighted average number of ordinary shares in issue during the period	2,837,511,429	2,837,511,429
(Loss)/earnings per share		
Basic and diluted (RMB)	(0.02)	0.11

10. INVENTORIES

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Motor vehicles	2,039,293	3,236,011
Spare parts and accessories	362,442	388,363
Subtotal	2,401,735	3,624,374
Less: provision for inventories	47,075	46,722
Total	2,354,660	3,577,652

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

11. TRADE RECEIVABLES

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables	833,863	781,054
Impairment	(20,400)	(16,934)
Net carrying amount	813,463	764,120

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 2024 RMB'000	Audited 31 December 2023 RMB'000
Within 3 months	646,483	657,916
More than 3 months but less than 1 year	117,685	62,495
Over 1 year	49,295	43,709
Total	813,463	764,120

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited As at 30 June 2024		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	3.5-8.8	2024-2025	1,211,601
– secured	3.5-8.5	2024-2025	368,110
– secured	6.6	On demand	29,000
– unsecured	3.5-8.5	2024-2025	335,607
– guaranteed**	SOFR*+3.5	On demand	610,979
– secured and guaranteed	3.5-8.5	2024-2025	270,665
Subtotal			2,825,962
Other borrowings			
– secured	4.9-8.8	2024	954,973
– unsecured	3.4-8.5	2024-2025	72,625
– secured and guaranteed	4.9-8.5	2024	665,779
– guaranteed	5.0-7.0	2024-2025	384,534
Subtotal			2,077,911
Total			4,903,873
Non-current			
Bank borrowings			
– guaranteed	4.0-4.6	2025	50,957
– secured	4.3-6.0	2025-2026	410,515
Subtotal			461,472
Other borrowings			
– secured	8.5	2025	4,898
– unsecured	4.9-8.5	2025	2,032
– secured and guaranteed	4.9-8.5	2025-2027	19,895
– guaranteed	4.9-7.0	2025-2027	15,833
Subtotal			42,658
Total			504,130

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

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

	Audited As at 31 December 2023		
	Effective interest rate (%)	Original maturity	RMB'000
Current			
Bank borrowings			
– guaranteed	3.3-6.4	2024	1,686,160
– secured	3.3-6.6	2024	479,108
– secured	6.6	On demand	29,000
– unsecured	3.5-6.7	2024	44,947
– guaranteed	SOFR*+3.5	On demand	676,663
– secured and guaranteed	3.4-6.7	2024	504,169
Subtotal			3,420,047
Other borrowings			
– secured	6.1-8.8	2024	248,509
– unsecured	6.5-7.8	2024	14,144
– secured and guaranteed	3.4-8.5	2024	1,374,136
– guaranteed	4.0-11.0	2024	462,954
Subtotal			2,099,743
Total			5,519,790
Non-current			
Bank borrowings			
– guaranteed	4.9-5.8	2025	92,399
– secured	4.3-6.0	2025-2026	91,173
– secured and guaranteed	4.3-5.5	2025	276,387
Subtotal			459,959
Other borrowings			
– secured	4.9	2025	2,357
– guaranteed	3.4-4.9	2026	14,468
– secured and guaranteed	4.9	2025-2026	19,934
Subtotal			36,759
Total			496,718

* The secured overnight financing rate (SOFR)

** As at 30 June 2024, current bank borrowings with an aggregate carrying amount of approximately USD87,200,000, which is repayable in May 2025 per loan agreements, with repayment on demand clause stipulated in the loan contracts triggered in 2024, have been classified as current liabilities with on demand maturity. Based on the consent of majority lenders, the relevant financial requirement for the period end 30 June 2024 has been waived.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

13. TRADE AND BILLS PAYABLES

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade payables	575,934	576,212
Bills payable	2,242,291	3,267,368
Trade and bill payables	2,818,225	3,843,580

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 2024 RMB'000	Audited 31 December 2023 RMB'000
Within 3 months	1,661,614	2,659,669
3 to 6 months	915,811	1,036,774
6 to 12 months	146,535	93,114
Over 12 months	94,265	54,023
Total	2,818,225	3,843,580

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 2024	Audited 31 December 2023
Shares		
Authorised:		
Ordinary shares	5,000,000,000 Shares of HK\$0.01 each	5,000,000,000 Shares of HK\$0.01 each
Issued and fully paid:		
Ordinary shares	2,837,511,429 Shares of HK\$0.01 each	2,837,511,429 Shares of HK\$0.01 each
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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

15. SHARE OPTION SCHEME (continued)

	2024 Weighted average exercise price HK\$ per share	Number of options
At 1 January	3.256	46,597,000
Forfeited during the period	3.256	–
At 30 June	3.256	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 2024 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 2024, 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 2024 RMB'000	Audited 31 December 2023 RMB'000
Contracted, but not provided for land use rights and buildings	3,251	2,931
Authorised, but not contracted for land use rights and buildings	–	1,200
Total	3,251	4,131

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

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 2024 RMB'000	Unaudited 30 June 2023 RMB'000
Purchase of goods:	(i)		
CGA and Companies controlled by CGA		18,884	50,906
Sales of goods:	(ii)		
CGA and Companies controlled by CGA		20,706	10,938
Office rental income from:	(iii)		
CGA and Companies controlled by CGA		1,290	1,611
Office lease expenses paid or payable by:	(iv)		
CGA and Companies controlled by CGA		2,913	3,040

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties (continued)

	Notes	Unaudited 30 June 2024 RMB'000	Unaudited 30 June 2023 RMB'000
Service received from:	(v)		
CGA and Companies controlled by CGA		–	1,433
Interest expenses:			
CGA and Companies controlled by CGA		59,541	56,505
Brazos Highland Holding LLC		–	2,635
Total		59,541	59,140
Repayment of borrowings from a related party:			
CGA Limited		171,252	301,976
Brazos Highland Holding LLC		–	72,141
Total		171,252	374,117
Borrowings from related parties:	(vi)		
CGA and Companies controlled by CGA		9,944	271,295
Payments on behalf of:			
Wuxi Kailong Real Estate Co., Ltd.		–	551

- (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. The above-mentioned lease expenses were the amounts paid or payable for the years presented.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2024

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions with related parties (continued)

- (v) The prices for the technology support services were determined in accordance with the prevailing market prices.
- (vi) As at the ended 30 June 2024, the Company borrowed a total of RMB9,944,000 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 RMB3,230,242,000 as at the end of the reporting period (31 December 2023: RMB5,068,710,000).

(c) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2024:

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Amounts due from related parties:		
Wuxi Kailong Real Estate Co., Ltd.	40,959	41,315
CGA and companies controlled by CGA	27,605	44,318
Xinjiang Grand Real Estate Development Co., Ltd.	8,811	8,811
Total	77,375	94,444

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30 June 2024

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Balances with related parties (continued)

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Amounts due to related parties-current:		
CGA and companies controlled by CGA Ziyang Qinyuan Machinery Manufacturing Co., Ltd.	509,421 10	331,935 203
Total	509,431	332,138
Amounts due to a related party-non current:		
A company controlled by CGA	1,852,137	2,044,580

As at 30 June 2024, 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 2024 RMB'000	Unaudited 30 June 2023 RMB'000
Short term employee benefits	1,650	1,738
Total compensation paid to key management personnel	1,650	1,738

18. 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.

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

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 2024 was assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2024

	Fair value measurement using			Total RMB'000
	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)	
Financial assets at fair value through profit or loss	188,213	–	–	188,213

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	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)	
Financial assets at fair value through profit or loss	–	–	134,569	134,569

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20. EVENT AFTER THE REPORTING PERIOD

On 12 August 2024, the Group entered into an equity transfer agreement with an independent third-party purchaser (the “**Purchaser**”), pursuant to which, the Purchaser has conditionally agreed to acquire and the Group has conditionally agreed to sell the entire equity interests in Hangzhou Baoxin Enterprise Co., Ltd., an wholly-owned subsidiary of the Group, for a total consideration of RMB133.0 million.



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