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)

(Stock code: 1293)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of Grand Baoxin Auto Group Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the six months ended 30 June 2019 (the "**Period**"), together with comparative figures for the corresponding period in 2018 as follows:

SUMMARY OF CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2019

	Notes	**Unaudited For the six months ended June 30, 2019 *RMB'000***	Unaudited For the six months ended June 30, 2018 *RMB'000*
REVENUE	*4(a)*	**17,348,226**	16,981,798
Cost of sales and services provided	*5(b)*	**(15,988,534)**	(15,666,719)
Gross profit		**1,359,692**	1,315,079
Other income and gains, net	*4(b)*	**486,335**	411,450
Selling and distribution expenses		**(578,946)**	(552,670)
Administrative expenses		**(342,153)**	(351,476)
Profit from operations		**924,928**	822,383
Finance costs	*6*	**(398,171)**	(323,631)
Share of profits and losses of:			
A joint venture		**1,325**	750
Associates		**2,966**	(2,574)
Profit before tax	*5*	**531,048**	496,928
Income tax expense	*7*	**(212,445)**	(134,764)
Profit for the period		**318,603**	362,164
Attributable to:			
Owners of the parent		**320,143**	362,581
Non-controlling interests		**(1,540)**	(417)
		318,603	362,164
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted			
– For profit for the period (RMB)	*9*	**0.11**	0.13

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019

	Unaudited For the six months ended June 30, 2019 *RMB'000*	Unaudited For the six months ended June 30, 2018 *RMB'000*
Profit for the period	**318,603**	362,164
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges	**(30,017)**	–
Time value component of fair value hedges	**29,355**	–
Exchange differences on translation of foreign operations	**(12,820)**	(24,730)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(13,482)**	(24,730)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**–**	68,072
Income tax effect	**–**	(17,018)
	–	51,054
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	51,054
Other comprehensive income for the period, net of tax	**(13,482)**	26,324
Total comprehensive income for the period	**305,121**	388,488
Attributable to:		
Owners of the parent	**306,661**	388,905
Non-controlling interests	**(1,540)**	(417)
	305,121	388,488

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Notes	**Unaudited June 30, 2019 RMB'000**	Audited December 31, 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,658,304**	3,963,972
Investment properties	*10*	**395,907**	370,905
Right-of-use assets		**1,980,789**	–
Prepaid land lease payments		**–**	455,695
Other intangible assets		**1,495,122**	1,523,106
Prepayments and deposits		**60,902**	58,757
Finance lease receivables		**131,372**	131,710
Amounts due from related parties		**25,000**	25,000
Goodwill		**1,222,016**	1,222,016
Derivative financial instruments		**–**	10,359
Investment in a joint venture		**101,321**	99,995
Investments in associates		**70,522**	31,556
Financial assets at fair value through other comprehensive income		**–**	36,000
Deferred tax assets		**186,972**	168,219
Total non-current assets		**9,328,227**	8,097,290
CURRENT ASSETS			
Inventories	*11*	**3,459,878**	4,126,679
Trade receivables	*12*	**529,165**	557,966
Prepayments, other receivables and other assets		**8,991,591**	8,974,134
Amounts due from related parties		**5,607**	10,619
Derivative financial instruments		**40,173**	16,649
Finance lease receivables		**204,974**	191,338
Pledged deposits		**1,249,462**	3,547,907
Cash in transit		**194,539**	46,208
Cash and bank		**2,776,329**	2,561,065
Total current assets		**17,451,718**	20,032,565

	Notes	Unaudited June 30, 2019 RMB'000	Audited December 31, 2018 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**8,686,319**	3,842,108
Trade and bills payables	14	**3,918,800**	7,519,402
Other payables and accruals		**1,274,466**	1,265,316
Derivative financial instruments		**1,044**	2,995
Lease liabilities		**250,458**	–
Amounts due to related parties		**869,851**	923,661
Income tax payable		**553,871**	477,412
Finance lease payables		**–**	119,509
Total current liabilities		**15,554,809**	14,150,403
Net current assets		**1,896,909**	5,882,162
Total assets less current liabilities		**11,225,136**	13,979,452
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	**2,034,005**	5,828,368
Other payables		**42,864**	42,882
Deferred tax liabilities		**502,186**	535,028
Derivative financial instruments		**30,093**	–
Amount due to a related party		**–**	352,788
Finance lease payables		**–**	121,400
Lease liabilities		**1,189,818**	–
Total non-current liabilities		**3,798,966**	6,880,466
Net assets		**7,426,170**	7,098,986
EQUITY			
Equity attributable to owners of the parent			
Share capital		**23,277**	23,275
Reserves		**7,369,393**	7,040,671
		7,392,670	7,063,946
Non-controlling interests		**33,500**	35,040
Total equity		**7,426,170**	7,098,986

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 (the "**Stock Exchange**") since 14 December 2011. On 21 June 2016, China Grand Automotive Services Co., Limited ("**CGA**") officially completed the pre-conditional voluntary cash partial offer to acquire a maximum of 75% of the issued share capital of the Company.

During the period, the Group was principally engaged in the sale and service of motor vehicles.

In the opinion of the directors, the ultimate holding company of the Company is CGA, the shares of which are listed on the Shanghai Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRS**") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards has had no significant financial effect on these financial statements. The nature and impact of HKFRS 16 are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease,* HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, buildings and vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the condensed consolidated interim financial statements as at 30 June 2019.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Unaudited Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	2,044,699
Decrease in property, plant and equipment	(248,467)
Decrease in prepaid land lease payments	(455,695)
Decrease in prepayments, other receivables and other assets	(74,091)
Increase in total assets	1,266,446
Liabilities	
Increase in lease liabilities	1,507,355
Decrease in finance lease payables	(240,909)
Increase in total liabilities	1,266,446

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	Unaudited
	RMB'000
Operating lease commitments as at December 31, 2018	2,197,804
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	(27,882)
Add:	
Commitments relating to lease previously classified as finance leases	240,909
Total undiscounted lease liabilities as at 1 January 2019 for adoption of HKFRS 16	2,410,831
Weighted average incremental borrowing rate as at January 1, 2019	6.5%
Lease liabilities as at January 1, 2019	1,507,355

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				
	Prepaid land lease payments	**Buildings**	**Motor vehicles**	**Total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	455,695	1,340,537	248,467	2,044,699	1,507,355
Additions	–	40,896	–	40,896	39,698
Depreciation charge	(7,106)	(83,122)	(14,578)	(104,806)	–
Interest expense	–	–	–	–	47,208
Payments	–	–	–	–	(153,985)
As at June 30, 2019	448,589	1,298,311	233,889	1,980,789	1,440,276

The Group recognised rental expenses from short-term leases of RMB15,332,000 for the period.

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 June 30, 2019, no major customers segment information is presented in accordance with HKFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS, NET

	Unaudited For the six months ended June 30, 2019 *RMB'000*	Unaudited For the six months ended June 30, 2018 *RMB'000*
(a) **Revenue**		
An analysis of revenue is as follows:		
Revenue from contracts with customers		
Sale of motor vehicles	**15,037,865**	14,844,457
After-sales services	**2,288,915**	2,116,418
Revenue from other sources		
Finance leasing services	**21,446**	20,923
	17,348,226	16,981,798

Revenue from contracts with customers

(i) Disaggregated revenue information

For the period ended 30 June 2019

	Unaudited *RMB'000*
Type of goods or service	
Sale of motor vehicles	15,037,865
After-sales services	2,288,915
Total	17,326,780
Timing of revenue recognition	
Goods transferred at a point in time	15,037,865
Services transferred at a point in time	2,288,915
Total	17,326,780

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of motor vehicles

The performance obligation is satisfied upon delivery of the motor vehicles and payment is generally due within 30 days from delivery.

After-sales services

The performance obligation is satisfied upon finalisation, delivery and acceptance upon the service completion and payment is generally on delivery date.

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

	Unaudited For the six months ended June 30, 2019 *RMB'000*	Unaudited For the six months ended June 30, 2018 *RMB'000*
Commission income	**382,161**	358,762
Bank interest income	**18,837**	21,514
Advertisement support received from motor vehicle manufacturers	**6,818**	1,537
Rental income	**24,348**	3,384
Government grants *	**39,053**	35,575
Loss on disposal of items of property, plant and equipment	**(122)**	(993)
Loss on disposal of items of other intangible assets	**–**	(10)
Net fair value (loss)/gain on derivative instruments	**(2,171)**	3,203
Fair value gains on investment properties	**25,002**	28,190
Foreign exchange difference, net	**(7,475)**	(45,789)
Others	**(116)**	6,077
	486,335	411,450

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

5. PROFIT BEFORE TAX

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

		Unaudited For the six months ended June 30, 2019 *RMB'000*	Unaudited For the six months ended June 30, 2018 *RMB'000*
(a)	**Employee benefit expense (including Directors' and chief executive's remuneration)**		
	Wages and salaries	**415,226**	402,243
	Other welfare	**110,052**	119,950
	Equity-settled share option expense	**21,490**	15,862
		546,768	538,055
(b)	**Cost of sales and services**		
	Cost of sales of motor vehicles	**14,740,994**	14,546,119
	Others	**1,247,540**	1,120,600
		15,988,534	15,666,719
(c)	**Other items**		
	Depreciation of property, plant and equipment	**141,272**	174,213
	Amortisation of prepaid land lease payments	–	6,943
	Amortisation of other intangible assets	**30,846**	28,870
	Advertisement and business promotion expenses	**116,640**	121,404
	Auditor's remuneration	**3,050**	2,600
	Bank charges	**15,789**	15,753
	Foreign exchange difference, net	**7,475**	45,789
	Depreciation of right-of-use assets	**104,806**	–
	Lease expenses	**15,332**	113,132
	Logistics and gasoline expenses	**31,472**	23,619
	Office expenses	**9,132**	11,207
	Impairment of financial assets:		
	Impairment of trade receivables	**600**	–
	Impairment of prepayments, other receivables and other assets	**614**	–
	Impairment of finance lease receivables	**22**	–
	Write-down of inventories to net realisable value	**(1,726)**	–
	Net fair value loss/(gain) on derivative instruments	**2,171**	(3,203)
	Fair value gains on investment properties	**(25,002)**	(28,190)
	Loss on disposal of items of property, plant and equipment	**122**	993
	Loss on disposal of items of other intangible assets	–	10
	Bank interest income	**(18,837)**	(21,514)

6. FINANCE COSTS

	Unaudited For the six months ended June 30, 2019 *RMB'000*	Unaudited For the six months ended June 30, 2018 *RMB'000*
Interest on bank loans and other loans	**350,963**	323,631
Incl: loan arrangement fee	**58,465**	37,607
Interest expense on lease liabilities	**47,208**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**398,171**	323,631

7. INCOME TAX EXPENSE

	Unaudited For the six months ended June 30, 2019 *RMB'000*	Unaudited For the six months ended June 30, 2018 *RMB'000*
Current:		
Mainland China corporate income tax	**264,041**	151,969
Deferred tax	**(51,596)**	(17,205)
Total tax charge for the period	**212,445**	134,764

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

The subsidiary incorporated in the British Virgin Islands ("**BVI**") is not subject to income tax as this subsidiary does not have a place of business (other than a registered office only) or carry on any business in the BVI.

The subsidiaries incorporated in Hong Kong are subject to an income tax at the rate of 16.5% (six months ended June 30, 2018: 16.5%) during the period.

According to the Corporate Income Tax Law ("**CIT Law**") of the People's Republic of China, the income tax rate is 25% (six months ended June 30, 2018: 25%).

According to the CIT Law and the Taxation Policies on In-depth Implementation of Western Region Development Strategy, four subsidiaries of the Company has been approved by the authority to pay income tax at the reduced tax rate of 15% (six month ended June 30, 2018: 15%).

According to the CIT Law and the Taxation Reduction Policies on Small and Micro enterprise, two subsidiaries of the Company have been approved by the authority to enjoy a 75% reduction in taxable income which not in excess of RMB1 million and a tax rate of 20%.

8. DIVIDENDS

The Board of the Company has resolved not to declare interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil).

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,837,323,120 (six months ended June 30, 2018: 2,837,311,429) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Because the exercise price of share options is higher than the market price, the share options were ignored in the calculation of diluted earnings per share.

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

	Unaudited For the six months ended June 30, 2019	Unaudited For the six months ended June 30, 2018
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**320,143**	362,581
Shares		
Weighted average number of ordinary shares in issue during the period	**2,837,323,120**	2,837,311,429
Earnings per share		
Basic and diluted (RMB)	**0.11**	0.13

10. INVESTMENT PROPERTIES

	Unaudited June 30, 2019 ***RMB'000***	Audited December 31, 2018 *RMB'000*
Carrying amount at beginning of the period	**370,905**	339,554
Fair value gains on investment properties	**25,002**	31,351
Carrying amount at end of the period	**395,907**	370,905

The application for the ownership certificates of a certain building located in Yangzhou City of Jiangsu Province, the PRC, with a carrying amount of RMB78,940,000 as at June 30, 2019 (December 31, 2018: RMB74,555,000), is in process .

The Company has determined that the investment properties consist of three commercial assets, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on June 30, 2019 based on valuations performed by an independent professionally qualified valuer at RMB395,907,000 (December 31, 2018: RMB370,905,000). The Group's management has decided to appoint an external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

11. INVENTORIES

	Unaudited June 30, 2019 *RMB'000*	Audited December 31, 2018 *RMB'000*
Motor vehicles	**3,210,041**	3,899,526
Spare parts and accessories	**260,039**	239,081
	3,470,080	4,138,607
Less: provision for inventories	**10,202**	11,928
	3,459,878	4,126,679

12. TRADE RECEIVABLES

	Unaudited June 30, 2019	Audited December 31, 2018
	RMB'000	*RMB'000*
Trade receivables	**533,102**	561,681
Impairment	**(3,937)**	(3,715)
	529,165	557,966

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 aged analysis of the trade receivables as at each statement of financial position date (based on the invoice date, net of loss allowance) is as follows:

	Unaudited June 30, 2019	Audited December 31, 2018
	RMB'000	*RMB'000*
Within 3 months	**466,682**	483,898
More than 3 months but less than 1 year	**39,852**	59,036
Over 1 year	**22,631**	15,032
	529,165	557,966

The movements in the loss allowance for impairment of trade receivables are as follows:

	Unaudited June 30, 2019	Audited December 31, 2018
	RMB'000	RMB'000
At beginning of the period	**3,715**	–
Impairment losses	**222**	3,715
At end of the period	**3,937**	3,715

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Unaudited		
	As at June 30, 2019		
	Effective interest rate (%)	Original maturity	*RMB'000*
Current			
Bank borrowings			
– guaranteed	**4.6-7.2**	2019-2020	1,088,690
– guaranteed	**HIBOR*+2.0**	2020	293,894
– guaranteed	**LIBOR**+3.2**	2020	4,264,328
– secured	**6.6**	On demand	29,000
– unsecured	**4.3-7.2**	2019-2020	1,396,380
– secured and guaranteed	**3.8-8.8**	2019-2020	926,178
			7,998,470
Other borrowings (interest-free)			
– guaranteed	**–**	2019	68,074
– secured	**–**	2019	89,027
– secured and guaranteed	**–**	2019-2020	392,146
			549,247
Other borrowings (non-interest-free)			
– guaranteed	**8.5**	2019	5,685
– unsecured	**8.0**	2019	430
– secured and guaranteed	**3.7-11.0**	2019-2020	132,487
			138,602
			8,686,319
Non-current			
Bank borrowings			
– guaranteed	**LIBOR**+3.1**	2022	1,278,253
– guaranteed	**4.9**	2020-2025	734,092
– secured and guaranteed	**5.4**	2024	21,660
			2,034,005
			10,720,324

	Effective interest rate (%)	Original maturity	*RMB'000*
	Audited		
	As at December 31, 2018		
Current			
Bank borrowings			
– guaranteed	**4.6-7.2**	2019	2,165,801
– secured	**HIBOR*+1.0**	2019	207,321
– secured	**6.6**	On demand	29,000
– unsecured	**4.4-6.0**	2019	263,987
– secured and guaranteed	**4.8-6.3**	2019	587,882
			3,253,991
Other borrowings			
– unsecured	**8.0-9.0**	2019	184,236
– secured and guaranteed	**4.7-9.0**	2019	403,881
			588,117
			3,842,108
Non-current			
Bank borrowings			
– guaranteed	**LIBOR**+3.2**	2020	5,072,205
– guaranteed	**4.9**	2020-2025	731,998
– secured and guaranteed	**5.4**	2021-2024	24,165
			5,828,368
			9,670,476

* Hong Kong Inter-Bank Offered Rate

** London Inter-Bank Offered Rate

14. TRADE AND BILLS PAYABLES

	Unaudited June 30, 2019	Audited December 31, 2018
	RMB'000	*RMB'000*
Trade payables	**390,124**	350,777
Bills payable	**3,528,676**	7,168,625
Trade and bill payables	**3,918,800**	7,519,402

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

	Unaudited June 30, 2019	Audited December 31, 2018
	RMB'000	*RMB'000*
Within 3 months	**3,283,351**	7,061,668
3 to 6 months	**606,696**	428,863
6 to 12 months	**2,682**	4,349
Over 12 months	**26,071**	24,522
	3,918,800	7,519,402

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

15. EVENT AFTER THE REPORTING PERIOD

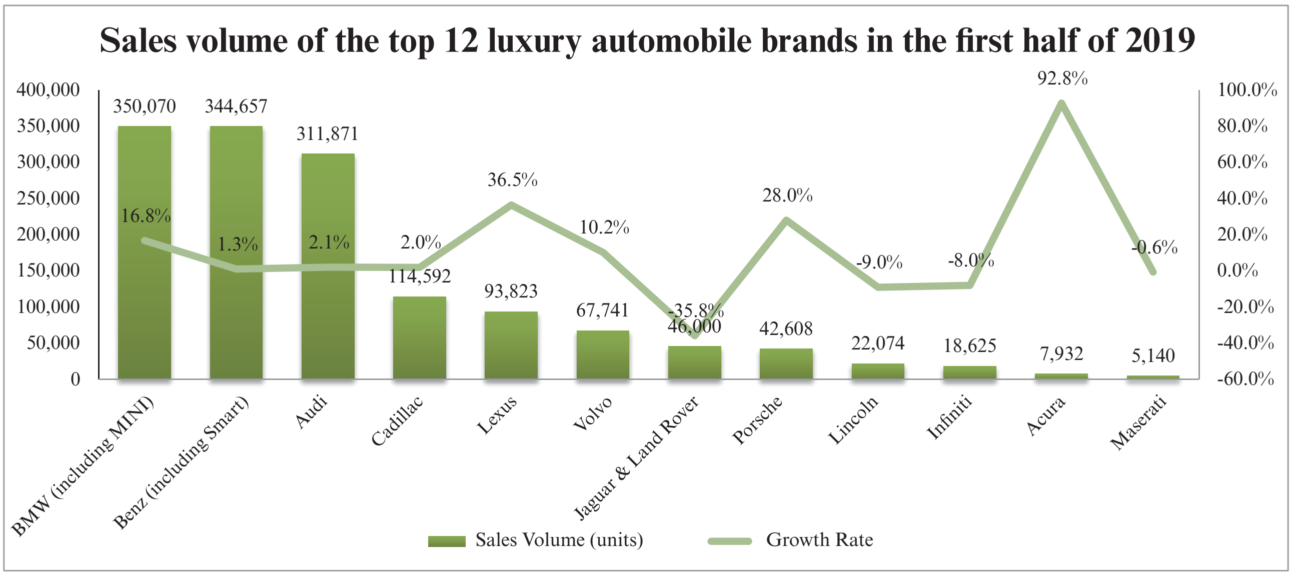
There is no significant event undertaken by the Company or by the Group after June 30, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back at the first half of 2019, China was in the crucial stage of economic development where old features are replaced by new ones, and the macroeconomy presented a stable yet changing development trend with the GDP growth rate of 6.3%. For the automobile market, such six months was a gloomy period with potentials. According to statistics from the China Association of Automobile Manufacturers, the production and sales volume of automobiles in China recorded 9.978 million units and 10.127 million units respectively in the first half of 2019, representing a decrease of 1.876 million units and 1.648 million units, respectively, compared to the corresponding period of last year. Based on the condition in the first half of the year, the production and sales volume of automobiles were generally low, and were lower than what were expected for the beginning of the year. In addition, as the industry focused on price cuts to clear up the inventory of vehicles for satisfying China V Emission Standard, a significant drop in the inventory index occurred in June. According to “China Automobile Dealers’ Vehicle Inventory Alert Index” released by China Automobile Dealers Association, in the first half of 2019, the inventory index decreased as compared with that of the fourth quarter of 2018. In June 2019, the inventory index dropped to a relatively low level of 50.4%, and was reached a record low for June in recent years.

In the first half of 2019, the luxury automobile market in China displayed a complex development pattern. Under the influence of multiple external factors such as the slowdown of macroeconomic growth, Sino-US trade tensions and the reduction of inventory for satisfying China V Emission Standard, luxury automobiles resumed a double-digit growth in the first half of the year. Meanwhile, the competition within the luxury automobile market has remained fierce. According to the data published by the State Information Center (國家信息中心), at the first-tier level, in terms of the cumulative sales of the three leading German brands from January to June, BMW (including MINI) took the lead with 350,070 units. Benz (including Smart) ranked second with 344,657 units, representing a year-on-year growth of 1.3% and a market share of 24%; and Audi was in the third place with 311,871 units, representing a year-on-year growth of 2.1% and a market share of 21%.



(*Note:* The top 12 luxury automobile brands are: Benz, Audi, BMW, Cadillac, Lexus, Jaguar & Land Rover, Volvo, Porsche, Lincoln, Infiniti, Maserati, Acura)

With the backdrop of a slowing down of growth in the sales volume of new automobiles, secondhand automobile and new energy vehicle markets have maintained positive growth trends in the past two years. China has also promoted the development of the secondhand automobile and new energy vehicle industry through continuous implementation of relevant policies. On the other hand, it can be observed from the market growth rate of a segmental business that, regardless of a new automobile or a secondhand automobile industry, the finance leasing business with a smaller scale yet a more flexible business model has already emerged, and the development of finance leasing business is expected to outperform the traditional retail credit business.

In the first half of 2019, the volume of vehicle transfer registration business continued to grow, the transaction market of secondhand automobile has been increasingly active. The total number of automobile transfer registration being processed in China was 11.97 million, among which the number of vehicle transfer registration was 11.66 million, accounting for 97.4%, representing an increase of 1.44 million as compared to the first half of 2018, with a growth rate of 14.14%.

In the first half of 2019, the new energy vehicle ownership volume in China reached 3.44 million units, accounting for 1.37% of the total number of vehicles, representing an increase of 1.45 million units as compared to the first half of 2018, with a growth rate of 72.85%. Among which, the electric vehicles ownership volume was 2.81 million units, accounting for 81.74% of the total number of new energy vehicles.

BUSINESS OVERVIEW

During the Period, the Company continued to lay equal stress on both the sales volume of automobiles and the quality of its services. While maintaining the stable overall sales volume of new automobiles, the Company also focused on the business transformation and upgrading to gradually shift from "sales-based" business to "service-based" business, which on one hand facilitated the optimization of the Company's profit structure, and on the other hand greatly enhanced the service quality of after-sales business to better fulfil the demands of customers and reduce the impact of industry fluctuations on the Company, thereby ensuring a stable, sustainable and healthy long term development of the Company.

As at 30 June 2019, the Group recorded revenue of approximately RMB17,348.2 million, representing a growth of 2.2% compared to the corresponding period, and achieved a gross profit of RMB1,359.7 million, representing an increase of 3.4% compared to the corresponding period. The profit attributable to owners of the parent was RMB320.1 million, representing a decrease of 11.7% compared to the corresponding period, and the earnings per share was RMB0.11.

New automobile sales

In the first half of 2019, considering the sluggish automobile consumption market, the Group adopted more prudent operational strategies and slowed down the pace of bulk purchasing, striving to secure the profitability of new automobile sales. As at 30 June 2019, the Group achieved a new automobile sales revenue of RMB15,037.9 million, representing a growth of 1.3% compared to the corresponding period, in which the sales revenue of luxury and ultra-luxury cars reached RMB13,436.5 million, representing a growth of 3.1% compared to the corresponding period, which accounted for 89.4% of new automobile sales revenue. In the first half of 2019, the overall gross profit margin of new automobiles of the Group was 2.0% and remained stable as compared to the gross profit margin of new automobiles in the first half of 2018.

During the Period, on one hand, through refining the internal management system and after gathering and analyzing data by leveraging its SAP comprehensive management system, and taking into consideration the product cycle of each brand and market situation, the Group has established pricing policies and refined assessment objectives for 4S stores in different regions according to market condition, in order to ensure steady growth of new automobile sales. On the other hand, through the optimization of the inventory and reduction in its costs and making adjustments to the existing inventory structure, the Group ensured that its inventory indicators have always been at a reasonable scale and in a healthy structure. The aforementioned not only enhanced the efficiency in the use of the working capital, but also effectively controlled our cost of sales, and hence avoided the risks arising from market volatilities.

In terms of the optimization of new automobiles sales model, we proactively explored brand new ideas under the new internet trend and aimed at increasing the sales volume of automobiles ordered online through enhancing internet channel diversion, obtaining the information of online customers and resources as well as using the digital marketing platform.

After-sales services

In the first half of 2019, the revenue of after-sales service was RMB2,288.9 million, representing an increase of 8.2% compared to the corresponding period, accounting for 13.2% of the total revenue of the Group. The gross profit of after-sales services was RMB1,041.5 million, representing a slight increase compared to the same period, and the gross profit margin of after-sales services was 45.5%.

During the Period, the Group capitalized on a wide range of resources from its base customers and the ERP system and the mobile after-sales service platform, an application named "Hui Yang Che" (匯養車), jointly created with its controlling shareholder CGA, to provide our customers application tools such as a convenient, efficient and multi-channel online booking service, roadside assistance and on-site customer satisfaction surveys and continuously increase the after-sales service capabilities and quality of the Company, thereby further improving the after-sales service experience of customers and their satisfaction to the personalized demands. While enhancing the capabilities of the online and offline services, the Group also enhanced customer satisfaction and increased their reliance to achieve a stable growth of after-sales business.

Meanwhile, the Group enhanced the effect of the SAP management platform, improved basic analysis on after-sales services business, identified competitive products and centralized the purchase of certain brands and main components to reduce costs and increase efficiency so as to reasonably arrange logistics, optimize the supply chain, and improve the operational efficiency of the stores.

Derivative business

During the Period, the Group proactively expanded its automobile derivative businesses by continuously overhauling the existing management system as well as enriching the variety of derivative service products, thereby increasing revenue generated from its derivative businesses. As at 30 June 2019, the revenue from the Group's automobile derivative businesses was RMB382.2 million, representing an increase of 6.5% compared to the corresponding period.

Automobile finance business

During the Period, the Group recorded a revenue of financial services business of RMB128.4 million, representing an increase of 16.2% compared to RMB110.5 million in the first half of 2018. Meanwhile, the financial penetration rate of the automobile finance market in respect of the new automobile business reached 60.7% in this reporting period.

During the Period, the Group and CGA created a synergistic effect together. They leveraged on the improved financial risk control platform to conduct more effective pre-lending risk review, risk management in the lending process and post-lending risk control. Meanwhile, the Group has been dedicated to enhancing the asset quality of automobile loans, which greatly improved the approval efficiency. The Group has also successively optimized and enriched its variety of innovative financial products while insisting on taking the customers' good experience as the lead and fund cycle of the customers as the center.

During the Period, the Group and CGA jointly launched an online risk control system – "Instant Automobile Financing (車秒貸)", through which customers need only to apply by mobile phones, obtain their loan approvals instantly in three minutes, and then head towards the offline stores to make appointments for car purchase. Such financing approach not only broke the time and space restrictions that traditional financial risk control for car purchase encounters, but also adhered to the principle of risk control as the key element.

Secondhand automobile business

During the Period, the number of secondhand automobiles of the Group traded accumulated to 18,631 units and the penetration rate of secondhand automobiles was 34.4%.

During the Period, the Group fully utilized the internal car sources and widened customer base of existing 4S stores as the basis of its secondhand automobile business. Through the efficient secondhand automobile ERP integrated management system, the Group further strengthened the secondhand automobile business management measures of 4S store channels. Meanwhile, relying on the excellent business ability of its secondhand automobile team, the Group conducted strict testing and screening on automobile sources, and retailed the retail automobile sources which complied with the certified standards of manufacturers at the officially-certified secondhand automobile showrooms, thus enhanced brand influence among customers. In addition, leveraging on secondhand automobile trading platform constructed across regions, the Group was able to constantly raise the secondhand automobile exchange ratio through methods such as the exchange of secondhand automobiles with new automobiles, thereby acquiring more secondhand automobile sources to achieve stable business growth.

Insurance business

During the Period, the commission income of the Group's insurance business was RMB154.2 million, representing an increase of 1.1% as compared to that of RMB152.5 million in the first half of 2018, and the revenue from extended warranty business increased by 29.3%.

Against the background of China Banking and Insurance Regulatory Commission ("**CBIRC**") implementing "deregulation of premium rate for three times (三次費改)" and "integration of implementation and execution (報行合一)", the Group followed the market rules and achieved planning in advance and quick responses. Through adopting a portfolio marketing approach, the Group has raised its insurance penetration rate of paint surface insurance, scratch insurance and other guarantee services, and also strived to provide more safer and competitive insurance products of well-designed and perfecting types, so as to strengthen its differentiated competitiveness, thereby enhanced customer loyalty and also guaranteed the steady growth of insurance agency income.

Network layout

Being a leading domestic dealer of luxury automobiles, the Group actively seizes the opportunity of industry integration and takes merger and acquisition as an important strategy for the Group to grow bigger and stronger. During the Period, we constantly supplemented and optimized our dealing network and brand portfolio which focused on luxury and ultra-luxury brands, increased operating efficiency and service capabilities by constantly integrating and optimizing the existing dealing network, and consolidated and increased the coverage and market share in major cities.

As at 30 June 2019, the Group owned a total of 113 automobile dealing stores, including 91 luxury and ultra-luxury brand dealing stores, 17 mid-to-high-end brand dealing stores and 5 independent after-sales service (maintenance and decoration and loss assessment center) stores.

During the Period, the Group's portfolio of automobile brands included 10 luxury and ultra-luxury brands, namely BMW (including MINI), Audi, Jaguar & Land Rover, Volvo, Cadillac, Infiniti, Alfa Romeo, Porsche, Rolls Royce and Maserati.

FUTURE OUTLOOK AND STRATEGIES

Driven by factors including the macroeconomy, newly emerged technologies and consumption upgrade, the demand and supply structure of the automobile industry will experience a major reform. At the supply side, as the demands of the industry are being increasingly saturated, the focus of competition in the automobile industry will gradually shift from capacity-based onto stock-based and from grow in quantity onto grow in quality. At the demand side, as the proportion of users purchasing additional vehicles or trade-in existing vehicles is growing rapidly and the pace of consumption upgrade is accelerating, the products genuinely fulfilling the in-depth requirements of consumers will be well-received by the market. The quote “trust is gold” best describes the current automobile industry. Following the gradual reflection of the effects of a series of policies on consumption boosting, and the implementation of China VI standard in various provinces and cities as well as the investment in numerous China VI motor vehicle products, it is expected that these will be certainly helpful in bolstering confidence in the automobile industry.

The automobile industry is moving towards the trend of developing in a more intelligent, energy-saving and personalized manner. Facing the challenges and opportunities arising from transformation and upgrading, the Company will continue to leverage its reasonable regional distribution and brand portfolio to consolidate the strengths of its core brands including BMW and Audi while optimizing its business structure continuously, and focusing on its automobile after-sales market business to further enhance the scale effects of the after-sales and derivative business, thereby maintaining a healthy business growth.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, our revenue was RMB17,348.2 million, representing a growth of approximately 2.2% as compared to the same period in 2018. The increase was primarily due to an increase of RMB193.4 million, or 1.3%, in automobile sales revenue, particularly from the sales of luxury and ultra-luxury automobiles, as compared to the same period in 2018.

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

	Unaudited For the six months ended 30 June 2019		Unaudited For the six months ended 30 June 2018	
Revenue Source	**Revenue**	**Contribution**	Revenue	Contribution
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*
Automobile sales	**15,037,865**	**86.7**	14,844,457	87.4
After-sales business	**2,288,915**	**13.2**	2,116,418	12.5
Finance lease income	**21,446**	**0.1**	20,923	0.1
Total	**17,348,226**	**100.0**	16,981,798	100.0

Automobile sales generated a substantial portion of our revenue, accounting for 86.7% of our total revenue for the six months ended 30 June 2019. Revenue generated from the sales of luxury and ultra-luxury brands and our mid-to-high-end market brands accounted for approximately 89.4% (six months ended 30 June 2018: 87.8%) and 10.6% (six months ended 30 June 2018: 12.2%), respectively, of our revenue from the sales of automobiles. The increase of revenue from the sales of automobiles of RMB193.4 million was mainly attributable to the increase in living standard of residents, which stimulated the demand for luxury vehicles and in turn increased the revenue from the sales of luxury and ultra-luxury vehicles of the Group during the Period.

Revenue from our after-sales business increased by 8.2% from RMB2,116.4 million for the six months ended 30 June 2018 to RMB2,288.9 million for the same period in 2019. The Group continues to focus on, and is strengthening the management of, its after-sales business. The increase in revenue from after-sales business was attributable to the Group's pro-active measures to increase our stores' after-sales capacity. For mature stores, we have been adding repair and maintenance workshops, boosting utilisation rates, and optimising operation procedures in order to generate higher after-sales revenue. For less mature stores, we achieved an increase in revenue by attracting more customers through implementing the membership system, encouraging return visits by customers, and launching promotion campaigns at our stores. The relevant contribution of our after-sales business to our revenue increased from 12.5% for the six months ended 30 June 2018 to 13.2% for the same period in 2019.

Cost of sales and services

For the six months ended 30 June 2019, our cost of sales and services increased by 2.1%, from RMB15,666.7 million for the same period in 2018 to RMB15,988.5 million.

The cost of sales and services attributable to our automobile sales business amounted to RMB14,741.0 million for the six months ended 30 June 2019, representing an increase of RMB194.9 million, or 1.3%, as compared to the same period of 2018. The cost of sales attributable to our after-sales business amounted to RMB1,247.4 million for the six months ended 30 June 2019, representing an increase of RMB126.8 million, or 11.3%, from the same period in 2018.

Gross profit and gross profit margin

Gross profit for the six months ended 30 June 2019 was RMB1,359.7 million, representing an increase of RMB44.6 million, or 3.4%, from the same period in 2018. Gross profit from automobile sales decreased by 0.5% from RMB298.3 million for the six months ended 30 June 2018 to RMB296.9 million for the same period in 2019, of which RMB283.9 million was from the sales of luxury and ultra-luxury automobiles. Gross profit from after-sales business increased by 4.6% from RMB995.8 million for the six months ended 30 June 2018 to RMB1,041.5 million for the same period in 2019. Automobile sales and after-sales business contributed 21.8% and 76.6%, respectively, to the total gross profit for the six months ended 30 June 2019.

Gross profit margin for the six months ended 30 June 2019 was 7.8% as compared to 7.7% of the same period last year, of which the gross profit margin of automobile sales was 2.0% and remained stable as compared to the same period last year. The gross profit margin of after-sales business recorded a slight decrease to 45.5% as compared to 47.1% of the same period last year.

Other income and net gains

Other income and net gains increased by 18.2% from RMB411.5 million for the six months ended 30 June 2018 to RMB486.3 million for the same period in 2019, mainly due to an increase in the commission income from RMB358.8 million for the six months ended 30 June 2018 to RMB382.2 million for the same period of 2019. During the Period, the Group recorded other gains amounting to RMB25.0 million from fair value gains on investment properties.

Profit from operations

As a result of the foregoing, our profit from operations for the six months ended 30 June 2019 increased by 12.5% from RMB822.4 million in the same period last year to RMB924.9 million.

Profit for the period

As a result of the cumulative effect of the foregoing, our profit for the six months ended 30 June 2019 decreased by 12.0% from RMB362.2 million in the same period last year to RMB318.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

As at 30 June 2019, our cash and bank amounted to RMB2,776.3 million, representing an increase of 8.4% from RMB2,561.1 million as at 31 December 2018.

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 loans 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 loans 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 2019, our net cash generated from operating activities, net cash used in investing activities, and net cash generated from financing activities were RMB156.6 million (six months ended 30 June 2018: used in RMB605.9 million), RMB58.1 million (six months ended 30 June 2018: RMB839.0 million), and RMB136.4 million (six months ended 30 June 2018: RMB294.7 million), respectively.

Net current assets

As at 30 June 2019, we had net current assets of RMB1,896.9 million, representing a decrease of RMB3,985.3 million from RMB5,882.2 million as at 31 December 2018.

Capital expenditures

Our capital expenditures primarily comprise of expenditures on property, plant and equipment, land use rights and other intangible assets. During the six months ended 30 June 2019, our total capital expenditure was RMB283.2 million (six months ended 30 June 2018: RMB390.5 million).

Inventory

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

Our inventories were RMB3,459.9 million as of June 30, 2019, a 16.2% decrease from RMB4,126.7 million as of December 31, 2018, and our average inventory turnover days for the six months ended 30 June 2019 decreased from 48.3 days to 42.7 days as compared to the corresponding period in 2018.

Interest-bearing bank and other borrowings

As at 30 June 2019, the Group's available and unutilised banking facilities amounted to approximately RMB7,575.3 million (31 December 2018: RMB8,544.0 million).

Our interest-bearing bank and other borrowings as at 30 June 2019 were RMB10,720.3 million, representing an increase of RMB1,049.8 million from RMB9,670.5 million as at 31 December 2018. The increase was mainly due to the improvement of bank facility structure, the decrease of bill financing, and the use of more bank lending products with lower interest rates.

Interest rate risk and foreign exchange rate risk

We are exposed to interest rate risk resulting from fluctuations in the interest rate on our debts. The interest rate of part of our borrowings is linked to the benchmark rates of the People's Bank of China. Increase in interest rate could result in an increase in our cost of borrowing. In such case, not only our finance costs, but also our profit and financial position would be adversely affected. The interest rate swap instruments are used to manage interest rate risks.

The Group's businesses are principally operated in Mainland China and most of its transactions are conducted in RMB. The foreign exchange forward transactions are used to manage foreign exchange risks.

Gearing ratio

Our gearing ratio (defined as net debt divided by equity attributable to owners of the Company plus net debt) for the six months ended 30 June 2019 was 64.1% (31 December 2018: 69.3%).

Human resources

As at 30 June 2019, the Group has approximately 7,177 employees (30 June 2018: 7,999). Total staff costs for the six months ended 30 June 2019, excluding directors' remuneration, were approximately RMB541.2 million (six months ended 30 June 2018: RMB532.8 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 2019 and 31 December 2018, 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 loans and banking facilities which were used to finance daily business operation. As at 30 June 2019, the pledged group assets amounted to approximately RMB4,162.2 million (31 December 2018: RMB5,999.5 million).

Changes since 31 December 2018

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 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019 and on or before the date of this announcement.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2019, 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 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

In the opinion of the Directors, throughout the six months ended 30 June 2019, the Company has complied with all the code provisions set out in the CG Code, save and except for code provision A.2.1.

Under the code provision A.2.1, the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Our chairman, Mr. Li Jianping, is responsible for the operation and management of the Board and no chief executive office is appointed. The day-to-day management of the Group is delegated to other executive Directors and the management of the Company. The Board is of the view that the current management structure can effectively facilitate the Group's operation and business development.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and growth of its business and reviewing such practices from time to time to ensure that they comply with the CG Code and align with the latest developments of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Specific enquiry has been made to all the Directors who have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2019.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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 of Mr. Diao Jianshen (chairman), Ms. Liu Yangfang and Mr. Chan Wan Tsun Adrian Alan, all of whom are the Company's independent non-executive Directors.

The Audit Committee has considered and reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 and are of the view that the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.klbaoxin.com). The interim report of the Company for the six months ended 30 June 2019 will be despatched to the shareholders of the Company and made available on the same websites in due course.

By order of the Board
Grand Baoxin Auto Group Limited
Mr. Li Jianping
Chairman

Shanghai, the People's Republic of China, 23 August 2019

As at the date of this announcement, the Company's executive Directors are Mr. LI Jianping, Mr. WANG Xinming, Mr. QI Junjie, Mr. LU Ao and Ms. XU Xing, and the independent non-executive Directors are Mr. DIAO Jianshen, Ms. LIU Yangfang and Mr. CHAN Wan Tsun Adrian Alan.